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# Electronic Communication Channels in Franchise Organizations.

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**ELECTRONIC COMMUNICATION CHANNELS  
IN  
FRANCHISE ORGANIZATIONS**

**A Dissertation**

**Submitted to the Graduate Faculty of the  
Louisiana State University and  
Agricultural and Mechanical College  
in partial fulfillment of the  
requirements for the degree of  
Doctor of Philosophy**

**in**

**The Interdepartmental Program in Business Administration  
(Information Systems and Decision Sciences)**

**by**

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*Love bears all things,  
believes all things,  
hopes all things,  
endures all things.  
Love never ends.*

*1 Corinthians 13:7-8*

*To Jeff, the love of my life*

*All things are mine since I am loved.  
How can I keep from singing?  
– Anne Warner*

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# TABLE OF CONTENTS

<b>ACKNOWLEDGMENTS.....</b>	<b>iv</b>
<b>LIST OF TABLES .....</b>	<b>ix</b>
<b>LIST OF FIGURES .....</b>	<b>x</b>
<b>ABSTRACT .....</b>	<b>xi</b>
<b>INTRODUCTION.....</b>	<b>1</b>
Information Technology Trends in Franchising .....	3
Background for the Research.....	5
Research Questions .....	5
Dissertation Chapters .....	6
<b>LITERATURE REVIEW .....</b>	<b>8</b>
The Franchising Environment .....	8
Relevant Research in Franchising .....	8
Franchisor-Franchisee Relationships .....	12
Summary: Franchise Systems, Communications, and Relationships .....	13
Communication Theory.....	14
Definitions .....	15
Organizational Structure and Communication.....	17
Media Choice: Electronic Over Traditional Channels .....	18
Strategic Outcomes Defined .....	19
Communication and Strategic Outcomes .....	20
Summary: Communication Theory and Franchising .....	21
Organizational Identification.....	23
Summary.....	26
<b>CONCEPTUAL MODEL AND HYPOTHESES.....</b>	<b>27</b>
Research Question 1: Communication Frequency .....	27
Research Question 2: Strategic Outcomes .....	30
Research Question 3: Franchisor-Franchisee Relationship .....	31
<b>RESEARCH METHODOLOGY .....</b>	<b>33</b>
Introduction .....	33
The Target Population.....	34
Unit of Analysis .....	35
Instrumentation: The Franchisor Telephone Interview .....	37
Instrumentation: The Mail Survey .....	37
Communication Channel Existence .....	38
Communication Frequency.....	38
Organizational Identification .....	39
Franchisor-Franchisee Relationship Quality .....	39

Franchisee Satisfaction .....	40
Innovation .....	40
Franchisee Compliance .....	41
User Information Satisfaction .....	41
Instrumentation: Franchisee Interviews .....	42
Data Collection Procedures .....	42
The Franchisor Interviews .....	43
The Mail Survey .....	45
Face-to-face Franchisee Interviews .....	47
Quantitative Data Analysis Strategy .....	47
Analysis of Variance (ANOVA) .....	48
Partial Least Squares (PLS) .....	49
Qualitative Data Analysis .....	52
<b>SURVEY RESULTS .....</b>	<b>53</b>
The Sample .....	53
Classification of Respondents .....	56
Information Technology Provided by the Franchisors .....	57
Organization 1 .....	57
Organization 2 .....	60
Organization 3 .....	61
Organizations 4, 5, and 6 .....	62
Organization 7 .....	62
Organization 8 .....	62
Organization 9 .....	63
Survey Results .....	65
Survey Administration and Response Rates .....	65
Non-response Bias .....	67
Missing Data .....	68
Characteristics of the Respondents .....	69
Hypotheses Testing .....	70
<b>QUALITATIVE RESULTS .....</b>	<b>81</b>
Franchisor Respondents .....	81
Franchisee Respondents .....	83
Organizational Classification .....	85
Organizational Communication .....	86
Downward Communication .....	86
Upward Communication .....	88
Lateral Communication .....	90
Franchisor-Franchisee Relationship Quality .....	93
Impact of ZorNets on Franchisees .....	95
Organizational Innovation .....	97
Franchisee Satisfaction .....	99
Franchisee Compliance .....	100

<b>DISCUSSION .....</b>	<b>102</b>
Study Findings .....	102
Communication Frequency .....	102
Strategic Outcomes .....	106
Relationship Variables as Moderators .....	111
Research Contributions .....	112
Implications for Practice .....	113
Study Limitations .....	116
Directions for Future Research .....	117
Summary .....	118
<b>REFERENCES.....</b>	<b>121</b>
<b>APPENDIX A: SCRIPT FOR FRANCHISOR TELEPHONE INTERVIEW ....</b>	<b>131</b>
<b>APPENDIX B: MAIL SURVEY INSTRUMENT.....</b>	<b>133</b>
<b>APPENDIX C: PRE-TEST MEASURES OF INNOVATION AND COMPLIANCE.....</b>	<b>138</b>
<b>APPENDIX D: SCRIPT FOR FRANCHISEE INTERVIEW .....</b>	<b>139</b>
<b>APPENDIX E: SCRIPT FOR PRE-CONTACT OF THE FRANCHISOR .....</b>	<b>142</b>
<b>APPENDIX F: FRANCHISOR LETTER OF INTRODUCTION.....</b>	<b>144</b>
<b>APPENDIX G: SAMPLE REPORT .....</b>	<b>146</b>
<b>APPENDIX H: PRE-CONTACT POSTCARD FOR FRANCHISEES.....</b>	<b>148</b>
<b>APPENDIX I: FRANCHISEE LETTER OF INTRODUCTION .....</b>	<b>149</b>
<b>APPENDIX J: FRANCHISEE LETTER OF APPEAL .....</b>	<b>151</b>
<b>APPENDIX K: SCRIPT FOR FRANCHISEE TELEPHONE APPEAL PRIOR TO THE SECOND MAILING .....</b>	<b>152</b>
<b>APPENDIX L: SCRIPT FOR TELEPHONE APPEAL TO FRANCHISEES: NO SECOND MAILING.....</b>	<b>153</b>
<b>VITA.....</b>	<b>154</b>

## **LIST OF TABLES**

1. Communication Pattern Directionality.....	28
2. Demographics of Participating Organizations.....	55
3. Electronic Communication Channels in Participating Organizations.....	56
4. Survey Response Rates by Franchise Organization.....	68
5. Characteristics of Franchisee Survey Respondents.....	69
6. Tests for Normality of Communication Frequency Variables.....	71
7. Downward Communication Frequency by Downward Channel Existence .....	72
8. Upward Communication Frequency by Upward Channel Existence .....	72
9. Lateral Communication Frequency by Lateral Channel Existence .....	73
10. Homogeneity of Variance Test Results: Groups Based on ZorNet Existence .....	73
11. Communication Frequencies by Channel Direction .....	73
12. Downward and Lateral Communication Frequencies by ZorNet Existence .....	73
13. Average Variance Extracted by Construct for Full and Reduced Measurement Models.....	75
14. Factor Loadings.....	76
15. Individual Item Loadings and Weights: Measurement Models.....	77
16. Internal Composite Reliabilities and Correlation of Latent Constructs .....	78
17. Measurement Model for Testing H3a and H3d: Loadings, AVEs, and ICRs .....	80
18. Franchisor Interviews.....	83
19. Franchisee Interviews.....	85
20. Average Franchisee Relationship Quality Reported by Franchisor Respondents ...	93
21. Impact of ZorNets on Franchisee Communications.....	96

## **LIST OF FIGURES**

1. Sample Menu for a ZorNet.....	4
2. Conceptual Model of Electronic Communication in Franchise Organizations .....	27
3. Communication Patterns in Franchise Organizations .....	28
4. Structural Model .....	78
5. Second Structural Model .....	80

## **ABSTRACT**

The virtual organization has emerged as a result of the availability of information technology. One business model well suited to the virtual form is franchising. Since the success of franchise organizations is highly dependent on communication effectiveness, these organizations are beginning to adopt technology – namely, private corporate networks called intranets and extranets – to support electronic communication.

This research study examines the effects of electronic communication channels on communication patterns within franchise organizations. First, the study addresses how electronic communication channels affect communication frequency within the franchise organization. Second, the effect of electronic communication channels on strategic outcomes, specifically, innovation, franchisee satisfaction, and franchisee compliance, is explored. Finally, the moderating effects of the franchisor-franchisee relationship on communication frequency are assessed. Data were collected via a mail survey of franchisees and interviews of both franchisor and franchisee personnel. All respondents were members of franchise organizations in the food service industry.

Electronic communication channels do affect communication frequency in franchise organizations. Channel convenience was found to increase downward (franchisor to franchisee) and lateral (franchisee to franchisee) communication frequency, which results in increases in organizational efficiency. Upward (franchisee to franchisor) communication frequency did not increase with the existence of an upward electronic communication channel. Upward frequency may depend on the longevity of the franchisee in the organization, and upon the existence of an

organizational culture that encourages sharing among franchisees. The franchisor-franchisee relationship did not appear to moderate communication frequency.

Of the three strategic outcomes studied, differences due to electronic communication channels were found only for franchisee compliance. Organization innovation culture may be an antecedent of technology implementation as opposed to innovation being an outcome of the implementation of electronic communication channels. Franchisee satisfaction did not appear to be related to either communication frequency or electronic communication channel existence. Franchisee compliance also appeared to be unrelated to communication frequency; however, lateral communication channel existence is related to lower levels of franchisee compliance.

The study assesses the current state of communication technology usage in franchise organizations, and illustrates how technology is changing organizational communication patterns. This research also contributes a measure of franchisee compliance.



*The art of communication is the language of leadership.*  
– James Humes

## **INTRODUCTION**

Organizations are communication systems (Galbraith, 1973). As information technology (IT) has become more accessible to organizations, it is increasingly affecting organizational communications. “Technology, organizational structure, and communication patterns are all tightly coupled” (DeSanctis and Monge, 1999, p.693).

The virtual organization is one organizational design that has emerged as a result of the availability of IT (IMPACT, 1998; Moshowitz, 1997; Shao et al, 1998; Wilson, 1999). Importantly, IT facilitates communication, a crucial virtual organizational process (Burn and Barnett, 1999; Christie and Levary, 1998; Scott and Timmerman, 1999). Virtual organizations can be temporary or permanent, inter- or intra-organizational, and include small or large numbers of members (Palmer and Speier, 1997). In today’s business environment, all organizations tend toward virtuality to a greater or lesser degree (IMPACT, 1998).

One prevalent business model that is well suited to virtuality is franchising. Franchise organizations consist of geographically dispersed, legally independent business partners allied to engage in business activities. Typically, a franchise organization consists of a franchisor and its franchisees. A franchisor develops a concept for a business along with a system of operations and then sells the business format to franchisees. Franchisors may want to adopt a franchising strategy to either (1) expedite expansion (Sen, 1998) or (2) capitalize on the talents of franchisees who are likely to perform better than a manager employed in a company-owned store (Elango and Fried, 1997). Franchisees normally pay the franchisor an initial franchise

fee and on-going royalty payments based upon sales revenue (Wimmer and Garen, 1997; Parsa, 1999). By purchasing a franchise, the franchisee may benefit from the franchisor's brand equity (Storholm and Scheuing, 1994; Wimmer and Garen, 1997; Bradach, 1998), managerial, operational, and marketing support (Storholm and Scheuing, 1994), and/or information technology (Kennedy, 1997).

Franchising, as an organizational form, is experiencing unprecedented growth with an ever-increasing impact on the global economy (Bradach, 1998). In 1990, only about one-third of retail sales were generated by franchise outlets in the United States (Storholm and Scheuing, 1994; Parsa, 1999), whereas in the year 2000, it is estimated that franchise outlets will generate more than half of all retail sales (Bradach, 1998). Internationally, the number of franchise outlets is growing, with franchise outlets now common in Canada, Japan, the United Kingdom, and in parts of the Pacific Rim (Fenwick and Strombom, 1998).

As in all virtual organizations, franchise system effectiveness is highly dependent upon communication effectiveness (Hibbard, 1997; Kennedy, 1997). Communication between a franchisor and its franchisees routinely occurs, and is usually contractually mandated. Franchisors must send a variety of information to franchisees on a regular basis, including updates on standard operating procedures and promotional materials. Franchisees may routinely send payments, sales data, and feedback about promotions to the franchisor. Although rarely required, franchisees also sometimes communicate with each other. To support these information exchange processes, franchisors will seek to implement technology in an effort to increase operational efficiency for franchisee support.

## **Information Technology Trends in Franchising**

Web architecture (i.e., use of browser software) and the corresponding availability of private corporate networks called intranets and extranets (Kalakota and Whinston, 1997) have made electronic communications a reality for some franchise organizations. The franchisees can communicate via a franchisor's intranet/extranet<sup>1</sup> by acquiring a computer (which many own for other operational purposes), browser software, and access to the Web, all inexpensive resources that are usually feasible acquisitions for franchisees. Furthermore, the use of browser software enables franchisors to move forward with technology implementations without concern for the variety of computer platforms that might exist throughout their franchise communities. In addition to basic communications support, the accessibility of the Web is enabling franchisors to provide centralized applications for a wide range of purposes, such as employee recruitment and online ordering (Dickey and Murphy, 2000).

Franchisors are just beginning to invest in intranets/extranets to take advantage of operational efficiencies (e.g., Hibbard, 1997; Gerwig, 1998). My preliminary research indicates that electronic communication channels appear to be steadily gaining acceptance as best business practice in the franchise community (Dickey and Murphy, 2000).

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<sup>1</sup> An intranet is ordinarily defined as a network using Web architecture (i.e., use of browser software) on a private, internal corporate network (Kalakota and Whinston, 1997). An extranet also uses Web architecture on private networks, but includes support for dial-up access, both for offsite internal personnel and close trading partners. Technically, franchise organizations implement *extranets* to support franchisees; in practice, however, they are typically referred to as *intranets* (e.g., Hibbard, 1997; Gerdes, 1999; IFX, 2000).

A franchisor's intranet/extranet (ZorNet)<sup>2</sup> may have features such as e-mail, discussion forums, and libraries of documents and/or videos containing franchisor directives. Figure 1 shows a sample menu for a ZorNet. ZorNets typically support organizational communication capability, some downward from the franchisor to the franchisee and some upward from the franchisee to the franchisor. Some franchisors report providing a franchisee-to-franchisee (lateral) communication channel as well (Dickey and Murphy, 2000).

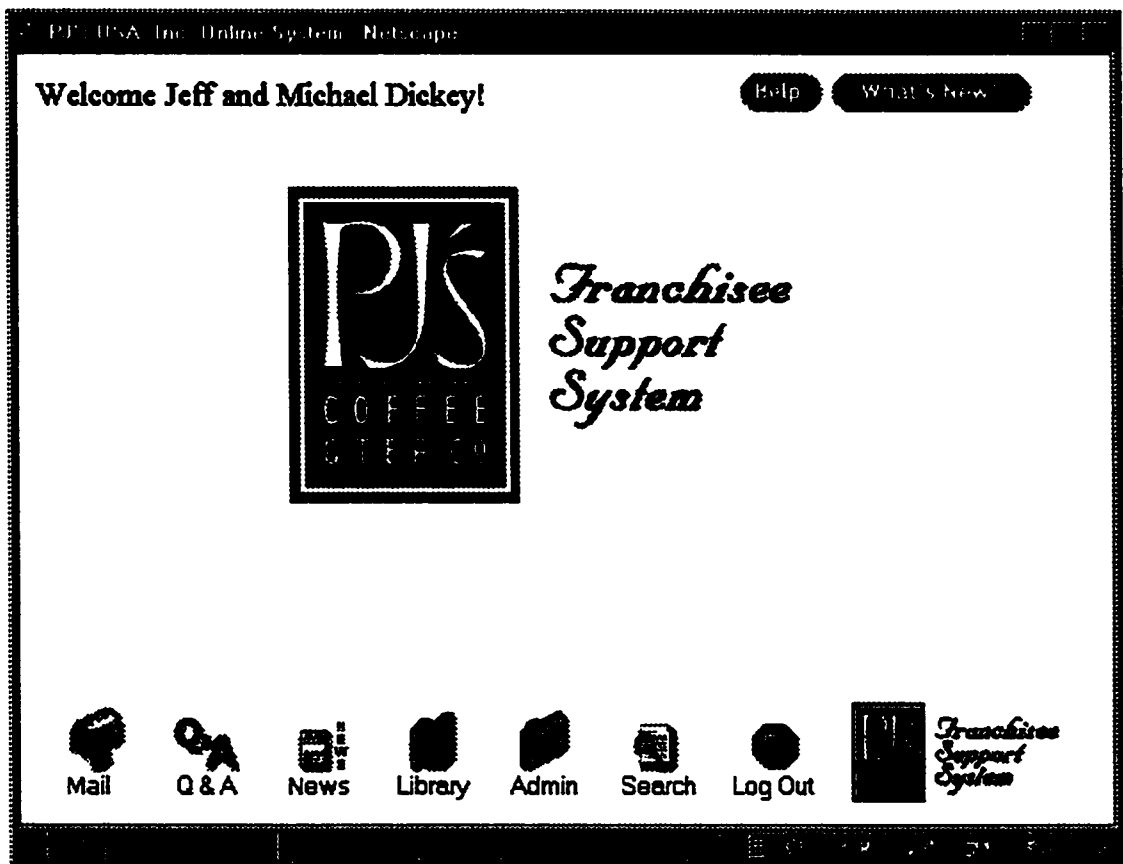


Figure 1. Sample Menu for a ZorNet

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<sup>2</sup> In the franchise community, franchisors and franchisees are commonly called "Zors" and "Zees", respectively (IFA, 2000). For clarity, since the information systems community may misinterpret the terminology used in the franchise community, the term ZorNet will be used to describe franchisor-sponsored intranet/extranet systems.

## **Background for the Research**

This research is the third study in a multi-stage project that addresses questions about the impact of information technology, particularly intranets/extranets (IEs), on franchise organizations. Initially, a single organization case study (Dickey and Ives, 2000) looked at the effects of IEs on power in the franchisor-franchisee relationship. In that organization, the franchisor avoided supporting franchisee-to-franchisee (lateral) communication. Interestingly, the franchisees did not seek to develop virtual community outside of the ZorNet, begging the question of why virtual communities in franchise organizations form. A second study (Dickey and Murphy, 2000) of three additional franchisors found that some franchise organizations do support franchisee-to-franchisee communication on their ZorNets. These franchisors believed that lateral communications is beneficial. The current study assesses if lateral electronic communications – i.e., the formation of virtual community among franchisees – affects strategic outcomes such as the pace of innovation, franchisee compliance, or franchisee satisfaction.

I will also examine the effects of intranet/extranet technology on communication patterns within franchise organizations. As these new electronic communication channels emerge, I anticipate some change in organizational communication patterns, and that the nature of the changes will depend upon the relationship between the franchisor and its franchisees.

## **Research Questions**

Specifically, this research effort will investigate the following questions:

- How do electronic communication channels affect communication frequency within the franchise organization?

- Does the use of electronic communication channels affect strategic outcomes?
- How does the nature of the franchisor-franchisee relationship affect communication frequency and channel use?

The first research question addresses differences in communication frequency and patterns for franchise organizations that employ IT-enabled communication channels (e.g., e-mail, intranet/extranet) versus those that do not employ electronic communication channels. The second question extends the first. If communication patterns are different, then what effect do they have on strategic outcomes, such as the pace of innovation, franchisee compliance, and franchisee satisfaction? The third question explores how the franchisor-franchisee relationship might further explain differences in communication channel use.

## **Dissertation Chapters**

The remainder of the dissertation will be organized as follows:

- **Chapter Two – Literature Review:** This chapter will describe the franchising environment, and an analysis of the literature relevant to the theory development for the research. Definitions for the major constructs will be presented.
- **Chapter Three – Hypotheses:** A conceptual model based on the literature review will be presented. This chapter will also develop and state formal hypotheses related to communication directionality and frequency, and how the franchisor-franchisee relationship might moderate channel use and content.
- **Chapter Four – Research Methodology:** This chapter will describe the research design, the target population, the unit of analysis, survey and interview instrumentation, data collection procedures, and data analysis strategy.

- **Chapter Five – Survey Results:** Chapter Five will discuss the information technology contexts from which the data were drawn, and then detail the statistical results from the survey.
- **Chapter Six – Qualitative Results:** The qualitative findings from interview data will be presented.
- **Chapter Seven – Discussion:** The theoretical implications of the study results, contributions made by the study, and suggestions for future research will be discussed.

*There are four ways, and only four ways,  
in which we have contact with the world.  
We are evaluated and classified by these four contacts:  
what we do, how we look, what we say, and how we say it.  
– Dale Carnegie*

## **LITERATURE REVIEW**

This study draws from research in several areas. An analysis of the franchising literature and its corresponding theories provides an understanding of the environment in which the research study was conducted. Communication theories from the information technology literature and the concept of organization identification developed in the sociology, psychology, and management literatures suggest expectations for patterns (frequency and directionality) of electronic communication channel use and support the argument for changes in strategic outcomes, such as the pace of innovation, franchisee compliance, and franchisee satisfaction.

### **The Franchising Environment**

In this section, I discuss relevant research in franchising and the nature of franchisor-franchisee relationships. The literature demonstrates that franchise organizational effectiveness is dependent upon two factors: (1) communication effectiveness and (2) franchisor-franchisee relationship quality. Comments at the end of this section summarize the research findings and relate them to these two premises.

#### **Relevant Research in Franchising**

The franchising literature spans many academic disciplines. In an extensive review, Elango and Fried (1997), segment the literature into three research streams:

- **Franchising and society** which addresses concerns about the potential ill effects of - franchising to both society at large and franchisees.



- **The creation of the franchising relationship** which includes work on the reasons a business might want to franchise its concept, the establishment of initial franchisor-franchisee relationships for new franchisors, the sharing of rents between the franchisor and its franchisees, and decision-making about new locations, namely whether they are to be franchises or company-owned units.
- **The operating of existing franchise systems** which concentrates on franchisor control of the franchisee and maximization of franchisee satisfaction.

The first research stream, with a primary emphasis that is more sociological than managerial, is beyond the scope of this research. The second stream, the creation of the franchising relationship, is important in that it helps frame the nature of the franchisor-franchisee relationship over the term of the franchise agreement. The third stream, existing franchise system operations, will be the primary focus of our discussion.

Concentration on existing franchise system operations will illustrate the important strategic issues facing many franchisors. Specifically, franchisors of existing franchise systems face four primary management challenges: unit growth, uniformity, local responsiveness, and system-wide adaptation (Bradach, 1998).

**Unit Growth.** One of a franchise organization's central concerns is unit growth. In fact, franchising is sometimes touted as a growth strategy (Sen, 1998; Kaufmann and Dant, 1996). If a franchisor depends on existing units for growth, even if they grow at a healthy clip of twenty percent per year, the franchisor's income is not likely to grow very quickly. The rapid expansion opportunity lies in adding new units (Bradach, 1998).

Unit growth can possibly be viewed as a component of the second stream of research (creating the franchising relationship) rather than the third (existing operations), if the franchisee is brand new to the franchise organization. However, if the franchisee of a new unit is an existing franchisee, then unit growth becomes an operational issue.

In particular, franchisors can use unit growth as a strategic tool to encourage franchisee compliance (Bradach, 1998). In some systems, a franchisee who has renovated his/her unit, is offering most new products/services, and is current with royalty payments, is more likely to be offered a new unit. Likewise, the franchisor may withhold such growth opportunities from a franchisee who is not largely in compliance with franchisor directives. Thus, the awarding of new units to existing franchisees can be a source of power for the franchisor.

**Uniformity.** Uniformity is a second managerial challenge of franchisors. Decisions to purchase franchises are often based upon the franchisor's reputation (Wimmer and Garen, 1997) -- in short, the franchisor's brand equity. The franchisor's ability to command a higher initial franchise fee is partially based on that reputation (Wimmer and Garen, 1997). Uniformity throughout the franchise organization is important in maintaining the franchisor's brand equity. Thus, much of a franchisor's time is spent in ensuring uniformity, or in other words, ensuring franchisee compliance to franchisor directives.

However, the extent of franchisee compliance demanded by the franchisor is a continuum (Bradach, 1998). The appropriate degree of uniformity in the system must

be balanced against the need to adapt to evolving customer needs. (Kaufmann and Eroglu, 1999).

**Local Responsiveness.** Thus, the franchisor's third managerial challenge is local responsiveness. The franchisor must guard its brand equity and ensure product/service quality to maximize efficiency in the system as a whole (Kaufmann and Eroglu, 1999). However, it must also be flexible enough to respond to local consumer demand in each of its markets, or risk losing out to the competition (Kaufmann and Eroglu, 1999; Bradach, 1998).

There is another component of local responsiveness. Franchisors can make a strategic decision to use franchisees as their pulse on the markets. This has several advantages. First, since franchisees are more likely to interact with the customer, franchisees can be a viable source of innovation (Bradach, 1998; Price, 1997). Secondly, by listening to franchisees about local market issues, the franchisor can give the franchisee a sense of participation in decision-making. Franchisees have been found "to be more cooperative when they perceived themselves to be part of the decision-making structure" (Elango and Fried, 1997, p. 75). Further, since "franchising represents a form of strategic alliance (between a franchisor and entrepreneurs)" (Preble and Hoffman, 1998, p. 64), franchisors can tap the entrepreneurial talent of franchisees as a source of competitive advantage (Preble and Hoffman, 1998; Price, 1997).

**System-wide Adaptation.** The final primary management challenge of franchisors is that of system-wide adaptation. In short, when a franchisor decides to make a change to the franchise system, for whatever reason, the franchisor must then manage the process of making the change uniformly throughout the organization (Bradach, 1998). How a

franchisor meets this challenge is at least in part dependent on the franchisor-franchisee relationship.

### **Franchisor-Franchisee Relationships**

Franchisor-franchisee relationships are likely to be characterized by conflict (Spinelli and Birley, 1998). As mentioned previously, the contractual arrangement between a franchisor and a franchisee generally specifies that the franchisor will be paid a royalty based upon a percentage of sales. A franchisee, on the other hand, realizes a return on investment when revenues exceed expenses – i.e., the focus is profits. These two objectives, the first of maximizing sales revenue and the second of maximizing profit, are not necessarily congruent (Felstead, 1993; Elango and Fried, 1997). For example, a McDonald's promotion that rolled back prices to 1955 levels may have increased sales (thereby increasing royalty payments to the franchisor which are based on sales), but may not have increased profitability.

Not only does the contractual environment foster conflict, but in some franchise systems, the franchisee's personality or disposition may be a contributing factor. Specifically, some franchisees perceive themselves as entrepreneurial (Dant and Gundlach, 1998). With franchises being "sold on the platform of be[ing] your own boss" (Dant and Gundlach, 1998, p. 35), it is not surprising that entrepreneurs would be counted among franchise owners. However, the franchisor's goal of uniformity within the system and the franchisee's tendency toward independence can often result in relational disharmony (Dant and Gundlach, 1998).

In addition, older franchisees, who often have more experience than most franchisor personnel (Bradach, 1998), may be more likely than newer franchisees to

have these entrepreneurial tendencies. Early franchisees may have purchased a unit in a less mature system because they were entrepreneurial as opposed to more recent, but experienced, franchisees who look for more mature franchise systems as investments (Dickey and Ives, 2000). Therefore, the entrepreneurial tendencies are likely to rest with those members of the franchise community that are the least likely to regard the franchisor as an expert.

Thus, the relational environment in franchising provides fertile ground for conflict. Because conflict is inherent in a franchise organization, how the business partners manage and resolve conflict is an important area of concern.

### **Summary: Franchise Systems, Communications, and Relationships**

I began this section on the franchising environment to demonstrate that two factors contribute to franchise organizational effectiveness: (1) communication effectiveness and (2) franchisor-franchisee relationship quality. To accomplish their primary management objectives of unit growth, uniformity, local responsiveness, and system-wide adaptation, franchisors depend upon effective communication systems, as suggested by Galbraith (1973).

Furthermore, they also depend on communication systems to assist in the critical function of franchisee relationship management (Brown and Dev, 1997), especially given the potential for conflict. Franchisors can use communication to express organizational climate and exercise power in resolving conflict (Mohr and Nevin, 1990). In a high quality relationship, franchisors can use information to influence franchisees and vice versa, and, as such, information is a source of power (French and Raven, 1959). Information power can result from the persuasive content of

communication (Bostrom, 1976). Open communication is a critical component in successful interorganizational relationships (Dwyer et al, 1987) which are characterized by more frequent communication (Mohr and Nevin, 1990).

Thus, we see that franchise organizational effectiveness is dependent on not only effective communication, but also frequent communication. I now turn to communication theory to demonstrate that the implementation of electronic communication channels in franchise organizations will increase communication frequency. This body of literature also supports the premise that increases in communication frequency will have positive strategic outcomes.

## **Communication Theory**

In this section, communication theories will support the argument that individuals will choose communication media on the basis of channel effectiveness. This section on communication theory accomplishes two objectives. First, I show that electronic communication channels will increase communication frequency by providing channels that are more effective. Second, I demonstrate that increased communication frequency will result in positive strategic outcomes.

To accomplish the first objective, a general definition for electronic communication, a definition of electronic communication capability specific to this research, and a definition of channel effectiveness is offered. Next, a discussion of the relationship between organizational structure and communication will form a theoretical foundation for the premise that electronic communication channels are more effective for franchise organizations. Subsequently, support for increased choice of electronic channels over traditional channels based upon channel effectiveness will be provided.

To achieve the second objective, the strategic outcomes of innovation, franchisee compliance, and franchisee satisfaction will be defined. Then, the strategic outcomes resulting from more frequent communication will be discussed.

### **Definitions**

Electronic communication can be defined as a communication channel used by individuals that is enabled by information technology. It has also been referred to as computer-mediated communication (CMC). Electronic communication channels represented in the literature have included e-mail (Markus, 1994; Kettinger and Grover, 1997), discussion forums (Etzioni and Etzioni, 1999; McLeod et al, 1997), and group support systems (Connolly et al, 1990; Nunamaker et al, 1991; Valacich et al, 1994; Valacich and Schwenk, 1995; Zigurs and Buckland, 1998). Electronic communication also enables and supports virtual teams and virtual organizations (DeSanctis and Monge, 1999), which have been studied as well (Jarvenpaa and Leidner, 1999; Weisenfeld et al, 1999).

Voice, data, and video transmission technologies continue to converge ( e.g., Vittore, 2000; DeMartino, 1999), making the distinction between electronic and non-electronic communication channels unclear, and thus making the use of such terms ambiguous. In the literature, the term “electronic communication” often has been analogous to electronic mail (e-mail) capability (Kovach et al, 2000; Glassberg et al, 1996). An extended conceptualization of electronic communication describes it as communication that enables virtual organizations to exist (DeSanctis and Monge, 1999; Hawkins et al, 1999). Specifically, electronic communication supports “[n]ew exchanges between parties, or new relationships, [that] can occur as a result of

established connections among distributed entities” (DeSanctis and Monge, 1999, p. 695). This conceptualization mirrors that of electronic communication capability supporting the formation of virtual organization among distributed members of franchise communities.

Another distinction between electronic and non-electronic communication is the ability to create and maintain electronic archives of information. In particular, intranets/extranets can serve as user-friendly repositories for a variety of data formats, including text, visual, and audio (Townsend et al, 1998). Typically, facsimile and telephone communication are not archived in a format that is this easily accessible to the user.

Thus, for purposes of this research, electronic communication capability is defined as any feature found on a ZorNet that provides information in any direction (upward, downward, or lateral). The assumption is that provision of these features opens the possibility of virtual community formation. Specifically, capabilities that are included (but are not necessarily limited to) are e-mail, bulletin boards, discussion forums, chat facilities, and document libraries. This research also includes electronic communication capability that is not sponsored by a franchisor, but that franchisees use to communicate among themselves. This includes capabilities as informal as e-mail outside of a ZorNet or as formal as a franchisee community sponsored intranet/extranet (ZeeNet). Telephone and facsimile are excluded from the definition.

Channel effectiveness, in this study, has two meanings. First, a communications channel is more effective if it facilitates meeting organizational objectives in a more efficient manner. In the franchise organizational context, this means that the channel



must more effectively support unit growth, uniformity, local responsiveness, and system-wide adaptation. It must also provide more accessible communications for relationship management.

Second, a channel is more effective if it is more convenient. Specifically, a communications channel is more effective if it better supports geographically dispersed individuals, both franchisor personnel and franchisees, who work long, erratic hours.

### **Organizational Structure and Communication**

Recall that organizations are communication systems (Galbraith, 1973; Zmud et al, 1990) and that technology, organizational structure, and communication patterns are all intertwined (DeSanctis and Monge, 1999). For virtual organizations in particular, communication is the glue that holds them together (Burn and Barnett, 1999; Christie and Levary, 1998; Scott and Timmerman, 1999). This is consistent with Galbraith's theory of organizational design (1973), which posits that the structure of an organization should be designed such that the organization's information processing requirements are effectively met. Specifically, effective organizational processes will fulfill the functions of coordination among members, reduction of the information processing load, and expansion of capacity for information processing (Davis and Olson, 1985).

Throughout history, technological advances in communications (e.g., the typewriter and vertical files; the telegraph) have improved information processing efficiency and managerial control for organizations (Yates, 1989). Today, electronic communication is becoming instrumental in meeting these same managerial goals. To

the extent that electronic communication channels meet the objectives of the franchise organization more efficiently, they will be more effective.

### **Media Choice: Electronic Over Traditional Channels**

Individuals in an organization can employ a variety of communication channels to accomplish their work objectives. Organizational members do not necessarily use electronic communication exclusively, but can also use more traditional media such as letters, telephone, or face-to-face meetings. Previous research has attempted to illuminate how individuals choose which communication channel to use in a given situation.

This research stream is quite expansive. The literature suggests many possible determinants of media choice, including task-medium fit (e.g., Zack, 1993; El-Shinnawy and Markus, 1998); media richness (e.g., Daft and Lengel, 1986; Dennis and Kinney, 1998); channel experience (Carlson and Zmud, 1999); channel attributes (Zmud et al, 1990); critical mass (Markus, 1987); and communication genres (Yates and Orlikowski, 1992). Task-medium fit and channel attributes will be important to the development of hypotheses in this research.

Task-medium fit suggests that individuals choose a communication channel on the basis of channel effectiveness. Task-medium fit has been studied extensively, and there is support for the task affecting communication channel choice. One stable finding in this literature is that electronic communication among group members is preferable to face-to-face communication for divergent-thinking tasks such as brainstorming, whereas the reverse is true for convergent-thinking tasks such as conflict resolution (DeSanctis and Monge, 1999). Another example is that face-to-face

interaction has been shown to be more appropriate for developing a new shared interpretative context among or between parties, whereas electronic communication is preferable in established relationships (Zack, 1993).

Zmud et al. (1990) found that individuals used three channel attributes to evaluate communication channels: information feedback, accessibility, and quality. These three attributes are related to convenience of the channel, which has been supported as a driver of media choice (Straub and Karahanna, 1998). Furthermore, Zmud et al (1990) found that individuals applied a different perceptual framework or schema for communication channels to be used in different directions (downward and lateral channels were studied; upward channels were not.) This suggests that individuals may choose media on the basis of communication directionality.

Implementation of electronic communication channels has been reported to increase communication frequency (Hiltz et al, 1986; DeSanctis and Monge, 1999). I suggest that this increase in frequency is a result of increased channel effectiveness, both in terms of organizational efficiency and convenience. We turn now to the second objective of this section on communication theory – the strategic outcomes of increased communication frequency.

### **Strategic Outcomes Defined**

This study will focus on three strategic outcomes: pace of innovation, franchisee compliance, and franchisee satisfaction. For our purposes, innovation can be defined as any introduction by the franchisor of a new product, product line, service, marketing initiative or operational process. New product/service development as innovation appears often in the marketing literature (e.g., Li and Calantone, 1998;

Millar et al, 1997; Cooper, 1984). Process change as innovation has also been researched in detail under the names of business process reengineering (e.g., Hammer and Champy, 1993), business process change (Grover and Kettinger, 1995), and organizational innovation (De Sitter et al, 1997).

Compliance as a construct has been defined as occurring “when an individual accepts influence because he hopes to achieve a favorable reaction from another person or group” (Kelman, 1958, p. 53). However, in this research, franchisee compliance will be defined as the degree to which a franchisee adheres to franchisor directives and/or implements corporate policies and procedures, regardless of the reason for conformity, be it due to surveillance, the franchisor-franchisee relationship, or personal relevance (see Kelman, 1958). Franchisee compliance is an important strategic outcome. The degree of uniformity found across a franchise system is directly related to the degree of franchisee compliance (Bradach, 1998).

Franchisee satisfaction can be defined as the extent to which a franchisee is content with his/her role (job) in the franchise organization. Satisfaction is an important strategic outcome, too, as it is related to unit performance (Morrison, 1997).

### **Communication and Strategic Outcomes**

Communication has been found to be a determinant of innovation (Kivimäki et al, 2000). Communication and innovation have been linked in the literature on a regular basis (e.g., Millar et al, 1997; Rogers and Shoemaker, 1971). External communication includes both dialogues with customers about their needs and information about scientific and technological developments among competitors (Kivimäki et al, 2000). Communication is an important vehicle for obtaining market

knowledge that has been shown to impact new product innovation (Li and Calantone, 1998; Moorman, 1995) including innovation in information systems (Nambisan et al, 1999). “Firms with a history of successful innovation continuously collect and evaluate information that leads to identification of opportunities” (Slater and Narver, 1995, p. 68).

Internal communication “among employees and work units within the organization” (Kivimäki et al, 2000, p. 34) is instrumental in information acquisition as well as information dissemination and innovation adoption (Weenig, 1999). Effective internal communication provides a mechanism by which organizational actors may participate in decision-making, which may foster greater cooperation and coordination (Kivimäki et al, 2000), organizational commitment (Morgan and Hunt, 1994), satisfaction (Mohr et al, 1996), and performance (Smith and Barclay, 1997).

Communication also facilitates interorganizational innovation (Millar et al, 1997). Interorganizational or networked innovations rely “on the management of knowledge sharing, technology transfer, and learning” (Millar et al, 1997, p. 399). Electronic communication is enabling such innovations (Millar et al, 1997).

### **Summary: Communication Theory and Franchising**

In reviewing the franchising literature earlier, we established that communication was vitally important to franchise organizations. Franchisors should view communication effectiveness as a primary strategic goal that will help them meet their unique management challenges, particularly uniformity, local responsiveness, and system-wide adaptation. To the extent that electronic communication can improve coordination, reduce the information processing load, and expand the capacity for

information processing, communication effectiveness should be improved (Galbraith, 1973). Consistent with media choice theory, it is my contention that if the electronic channel is the most effective, then communication frequency should increase, since individuals will choose that medium. The premise that communication direction affects communication patterns (Zmud et al, 1990) is also important in this research. I attempt to demonstrate that a franchisee's choice to communicate with another franchisee will depend on the existence of electronic communication for lateral exchange.

It is also anticipated that the availability of electronic communication channels will increase the franchisee's ability and desire to participate in discussions with the franchisor and with other franchisees. Participation should improve the franchisor-franchisee relationship by increasing the affective investment of the franchisee in the franchise organization. In addition, if the franchisor heeds the franchisees' electronic contributions when making decisions, by responding to franchisee needs, the franchisor should be able to strengthen franchisee satisfaction. Franchisors can both take advantage of the franchisees' entrepreneurial talents and increase their own credibility. Thus franchisors can strategically reinforce "reciprocal dependence" (Ring and Van de Ven, 1992, p. 483). The franchisor will have a greater opportunity to achieve franchisee conformity through credibility instead of conformity through compliance (Kelman, 1958), or in other words, the franchisee will internalize franchisor directives that have merit in their own right rather than submit to directives that are expected to be followed strictly on the basis of franchisor authority. Thus, greater franchisee participation through electronic communication should: (1) increase franchisee compliance, by meeting the franchisor managerial challenges of balancing local responsiveness and

uniformity, and expediting system-wide adaptation, and (2) increase franchisee satisfaction, by nurturing entrepreneurial tendencies.

I also posit that the degree to which franchisees identify with the franchise organization will affect communication patterns. We turn now to a discussion of organizational identification theory.

## **Organizational Identification**

Organizational identification is a form of social identification (Ashforth and Mael, 1989). Social identification is “the perception of oneness with or belongingness to some human aggregate” (Ashforth and Mael, 1989, p. 21). Individuals identify with many groups: family, church, sports teams, and the organizations in which they work. Identification with groups helps define who we are, or in other words, facilitates the development of a self-concept (Ashforth and Mael, 1989). Organizational identification, then, is an individual trait that describes the extent to which the attributes that the individual uses to define the organization also are used to define him/herself (Dutton et al, 1994). Organizational identification has also been defined as a *process* in which the goals of the organization and those of the individual become increasingly synchronized (Hall et al, 1970).

Organizational identification is derived from two images that an individual has about the organization: (1) perceived organizational identity, or “what the member believes is distinctive, central, and enduring about the organization” (Dutton et al, 1994, p. 239) and (2) construed external image, or “what the member believes outsiders think about the organization” (Dutton et al, 1994, p. 239). Thus, organizational identification hinges on the concept of a *shared* organizational identity (Ashforth and Mael, 1989).

Whereas organizational identification is an individual trait, organizational identity comprises attributes that accrue to the organization itself. Organizational identity can be defined as “the set of beliefs shared between top managers and stakeholders about the central, enduring, and distinctive characteristics of an organization” (Scott and Lane, 2000, p. 44). “Goals, missions, practices, values, and action (as well as lack of action)” (Scott and Lane, 2000, p. 44) shape an organization’s identity, serving as cues that distinguish one organization from another (Scott and Lane, 2000).

If strategy and managerial action shape organizational identity, then both organizational identity and corresponding individual organizational identification are outcomes that can be influenced. “Changes in structure, culture, organizational performance, organizational boundaries, or an organization’s competitive strategy may induce members to revise their perceived organizational identity and construed external image” (Dutton et al, 1994, p. 259). Organizations can use organizational communications to influence individual stakeholder organizational identification (Scott and Lane, 2000).

I suggest that franchisors can and should influence organizational identity through communication systems. If franchisees strongly identify with the franchise organization, the franchisor will be better equipped to coordinate and control these geographically dispersed entities, retain them as franchisees, and provide an environment that fosters organizational citizenship behaviors (Wiesenfeld et al, 1999; Dutton et al, 1994) such as information sharing (see Constant et al, 1994).



The franchisor is not the only organizational player that can initiate change in order to influence organizational identity. Scott and Lane (2000) contend that organizational identity is “best understood as contested and negotiated through iterative interactions between managers and stakeholders” (p. 44), thereby explicitly integrating power into the construct.

What this means is that each individual franchisee can use whatever structures are available to influence both the franchisor and other franchisees. Theorists have distinguished two dimensions of power: authority and influence (Bacharach and Lawler, 1980). Although an individual franchisee does not have contractual or hierarchical authority over the franchisor or other franchisees, it is expected that a franchisee will be able to use communication channels to *influence* other organizational stakeholders for his/her own strategic benefit.

Furthermore, the degree of the franchisee’s organizational identification is expected to be a determinant of communication content and patterns. If a franchisee identifies with the franchise organization, he/she will be more likely to engage in organizational citizenship behaviors (Dutton et al, 1994). The franchisee will be more likely to work toward the goals of the franchisor, since the goals will be self-relevant (Scott and Lane, 2000). However, if the franchisee does not identify with the franchise organization, he/she may engage in “underlife” (Goffman, 1961) behaviors that are incongruent with organizational goals, but that further self-interests (Ingram, 1986). In addition, if franchisees identify with the franchisee community more than the franchise organization, interaction among them may result in collective action (Scott and Lane, 2000). All these possible outcomes should be reflected in organizational

communication. It is also expected that a franchisee's degree of organizational identification will be correlated with the quality of the franchisor-franchisee relationship.

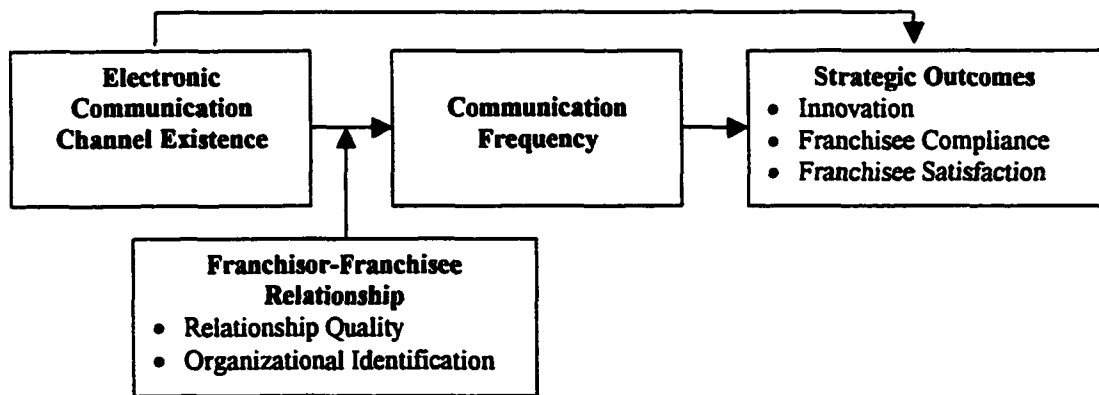
## **Summary**

In this chapter, the theoretical basis for the research has been presented. The nature of the franchise environment has been described, and the importance of both communication and relationships in that environment has been established. In the next chapter, I will present a conceptual model and develop formal hypotheses, building on this theoretical foundation.

*Somewhere, something incredible is waiting to be known.*  
– Carl Edward Sagan

## CONCEPTUAL MODEL AND HYPOTHESES

In the previous chapter, a theoretical foundation for the research was presented. Using that foundation, a conceptual model is proposed as shown in Figure 2. Based upon the conceptual model, I now develop formal hypotheses for each research question.



**Figure 2. Conceptual Model of Electronic Communication in Franchise Organizations**

### Research Question 1: Communication Frequency

How do electronic communication channels affect communication frequency within the franchise organization? I propose that communication frequency will be higher in organizations that have electronic channels.

Information may be communicated in one of three directions in an organization: downward, upward, and lateral (see Figure 3). In the franchise organizational context, downward communication is initiated by the franchisor and received by the franchisee.

Upward communication is initiated by the franchisee and received by the franchisor.

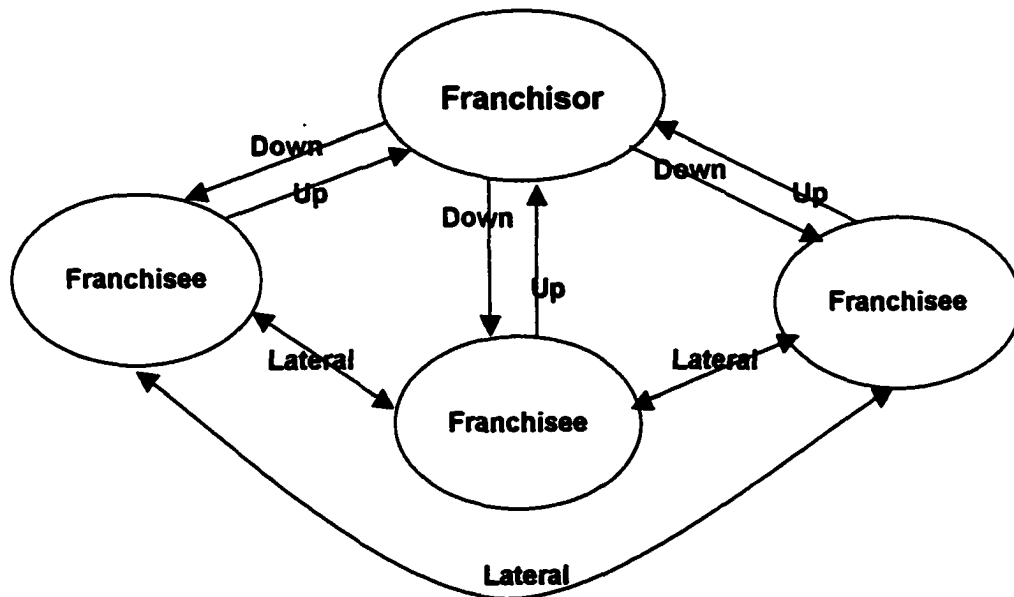
Lateral communication occurs when franchisees communicate among themselves.

These definitions are summarized in Table 1.

**Table 1. Communication Pattern Directionality**

<b>Communication Pattern</b>	<b>Directionality</b>
Downward	Franchisor-to-franchisee
Upward	Franchisee-to-franchisor
Lateral	Franchisee-to-franchisee

In an exploratory study, Dickey and Murphy (2000) developed a model of the potential effects of electronic communication channels on communication patterns. Downward communication, or that initiated by the franchisor, is a process that is well-established in franchise organizations. Traditional communication channels have included telephone, facsimile, regular mail, and face-to-face meetings. Franchisors



**Figure 3. Communication Patterns in Franchise Organizations**

typically send operational and marketing content to franchisees on a regular basis, with or without electronic communication. Thus, with the implementation of electronic

communication, it is likely that downward communication processes will be automated without significant changes in content.

On the other hand, upward communication, or that initiated by the franchisee, is less routine. Rather, it tends to be driven by exceptions, though only important exceptions may be drawn to the franchisor's attention due to the inconvenience suffered by the franchisee in communicating with the franchisor. Electronic communication, being asynchronous in nature, will provide a more convenient communication channel for the franchisee, who often works long, erratic hours. Thus, IT-enabled channels will increase the frequency of upward communication. Further, although downward communication processes using electronic channels will mirror traditional communication processes, the franchisor will have to respond to the increased upward communication and the enhanced quality of the downward channel will facilitate such responses. Downward communication frequency can therefore be expected to grow. More formally,

**H1a: In franchise organizations that have a downward electronic communication channel, communication from the franchisor to the franchisee will be more frequent than in those organizations without downward electronic communication channels.**

**H1b: In franchise organizations that have an upward electronic communication channel, communication from the franchisee to the franchisor will be more frequent than in those organizations without upward electronic communication channels.**

Electronic communication channel availability is expected to increase lateral communication frequency most dramatically. Electronic communication has been shown to support lateral communication patterns (DeSanctis and Monge, 1999). The "anyone/anytime/anyplace" alternatives made possible by electronic media (O'Hara-Devereaux and Johansen, 1994) definitely apply in the franchise context. Franchisees

are geographically dispersed (even if in the same town) and, as stated previously, often have highly variable, hectic schedules, making contact among franchisees a difficult proposition. Electronic channels will facilitate communication, so it is expected that lateral communication frequency will increase. The motivations for using the lateral channels, to be described momentarily, will vary depending upon social context.

**H1c:** In franchise organizations that have a lateral electronic communication channel, communication among franchisees will be more frequent than in those organizations without lateral electronic communication channels.

## **Research Question 2: Strategic Outcomes**

Does the use of electronic communication channels affect strategic outcomes?

This research will focus on the effects of lateral communications channels on strategic outcomes. Specifically, I propose that franchisor sponsorship of a lateral electronic communication channel will result in positive strategic outcomes.

The reason is this: electronic channels open the entirely new possibility of franchisor-monitored lateral communications. Certainly franchisees sometimes tell franchisors of lateral dialogues, but franchisors have never before been able to monitor lateral communications in any systematic way. If a franchisor sponsors a lateral communication channel, e.g., on a ZorNet, and the franchisor chooses to monitor and/or participate in it, communication content on the channel can be used as a market-sensing device. Recall that greater franchisee participation through electronic communication should: (1) increase franchisee compliance, by meeting the franchisor managerial challenges of balancing local responsiveness and uniformity, and expediting system-wide adaptation, and (2) increase franchisee satisfaction, by nurturing entrepreneurial tendencies. Formally, I propose that:

**H2: Franchisees who are members of franchise organizations that sponsor lateral communications will:**

- a. Perceive that the franchisor is innovating at a faster rate**
- b. Have higher rates of compliance with franchisor directives (i.e., higher rates of adoption of innovations)**
- c. Have greater satisfaction with the franchisor.**

**Further:**

**H2: The frequency of franchisee participation in franchisor-sponsored lateral communications will be positively related to:**

- d. The perceived pace of franchisor innovation.**
- e. Franchisee compliance.**
- f. Franchisee satisfaction with the franchisor.**

### **Research Question 3: Franchisor-Franchisee Relationship**

**How does the nature of the franchisor-franchisee relationship affect communication frequency and channel use? I propose that the nature of the franchisor-franchisee relationship will moderate electronic communication frequency.**

**Specifically, the quality of the relationship between the franchisee and the franchisor and the franchisee's degree of organizational identification, as perceived by the franchisee, will moderate frequency on lateral communication channels. If franchisees have a good relationship with the franchisor, it is likely that they will be more committed to the franchise organization and more trusting of the franchisor. Franchisees will feel they have a stake in the organization, or in other words, will strongly identify with it. Communication on the channel will occur as a result of the franchisees' interest in the organization as a whole.**

**Franchisees who have a poor relationship with the franchisor, on the other hand, will not be as likely to identify strongly with the organization, and therefore, will not be as likely to use the channel. In addition, franchisees may use lateral channels not**

sponsored by the franchisor only in an effort to form coalitions with other unhappy franchisees. More formally stated:

**H3: Franchisor-franchisee relationship quality:**

- a. The higher the quality of the franchisor-franchisee relationship, the more frequent upward communication will be.
- b. If a franchisor-sponsored lateral electronic communication channel exists, the higher the quality of the franchisor-franchisee relationship, the more frequent lateral communication will be on that channel.
- c. If a non-franchisor-sponsored lateral electronic communication channel exists, the poorer the quality of the franchisor-franchisee relationship, the more frequent lateral communication will be on that channel.

**H3: Franchisee organizational identification:**

- d. The stronger the franchisee's identification with the franchise organization, the more frequent upward communication will be.
- e. If a franchisor-sponsored lateral electronic communication channel exists, the stronger the franchisee's identification with the franchise organization, the more frequent lateral communication will be on that channel.
- f. If a non-franchisor-sponsored lateral electronic communication channel exists, the weaker the franchisee's identification with the franchise organization, the more frequent lateral communication will be on that channel.



*To have his path made clear for him is the aspiration of every human being in our beclouded and tempestuous existence.*  
– Joseph Conrad

## **RESEARCH METHODOLOGY**

### **Introduction**

The research study employed both quantitative and qualitative analyses of data on communication patterns in franchise organizations. Data were collected via telephone interviews of franchisor management personnel, a mix of face-to-face and telephone interviews of franchisees, and a survey mailed to the franchisees. The design objectives included:

- Assessment of the availability of electronic communication channels in franchise organizations.
- Discovery of communication patterns (frequency and directionality) in franchise organizations.
- Assessment of organizational innovation culture.
- Collection of data from a franchisee perspective on franchisor innovation, franchisor-franchisee relationship quality, organizational identification, franchisee compliance, and franchisee satisfaction.

In this chapter, the target population is described, followed by a discussion of the unit of analysis. The survey and interview instruments are then presented. Next, data collection procedures are summarized. The chapter concludes with a presentation of the data analysis strategy.

The research methodology is presented so as to facilitate replication of the study by other researchers. Therefore, all data specific to this particular study, such as number of participating franchise organizations, sample size, and number of interviews, are provided in the next two chapters which report the study results.

## **The Target Population**

The study was designed to collect interview data from both franchisor management personnel and franchisee owners. In addition, a mail survey was targeted at franchisees. To ensure corroborating data from various sources, all interviewees and survey respondents – whether franchisor management personnel or franchisees – belonged to one of the franchise organizations that had agreed, at the franchisor level, to participate in the study. Thus, for each organization studied, the franchisor data were collected through interviews while both interviews and a mail survey were used to collect data from the franchisees. Franchise organizations invited to participate included firms headquartered in the U.S. with fewer than 500 franchises, all in the food service industry. Smaller franchise organizations in a single industry were targeted as participants to gain a more homogeneous sample. In addition, by concentrating on the smaller – for the most part, less mature – organizations, a greater potential for finding firms without electronic communication channels existed.

The organizational selection process initially intended to find organizations that communicated using certain channels. The goal was to find a balanced mix of organizations that used both non-electronic and electronic channels in all communication directions (upward, downward, and lateral). However, the selection of organizations became primarily a function of organizational willingness to participate.

Fortunately, as the next chapter will describe in detail, the population of organizations that opted to participate did include organizations that used electronic channels as well as those that did not.

Franchisors that agreed to participate were asked to provide a mailing list of franchisees. Two individuals from each participating franchisor management team were interviewed via telephone.

To provide richer data on communication patterns in franchise organizations, two franchisees from each participating organization participated in either face-to-face or telephone interviews. For all organizations with franchisor-provided electronic communication channels, at least one of the franchisees was interviewed face-to-face for the purpose of viewing the communication channel and ascertaining its features. For these interviews, franchisees were chosen on the basis of proximity. For the remaining interviews, all conducted via telephone, a random selection was attempted, but willingness to participate in the study did become a factor in several instances.

The mail survey sample consisted of all U.S.<sup>3</sup> franchisees from the participating franchise organizations, except where the number of franchise owners was over 300. In this one instance, the survey was mailed to all franchisees in a particular region.

### **Unit of Analysis**

The unit of analysis for this study is the individual franchisee. Since data were collected on an organizational basis, choice of an individual unit of analysis deserves

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<sup>3</sup> In one participating organization, there was a franchisee operating in Israel that was excluded from the study.

some explanation. There are two issues to be considered: (1) measurement and (2) the information systems themselves in franchise organizations.

First, measurement of the franchisees' perspectives or behaviors at the organizational level (i.e., by the franchisor) is likely to be inaccurate. Preliminary research (Dickey and Ives, 2000) indicated individual differences among franchisees with regard to the frequency of communication with the franchisor and other franchisees, the extent to which they identify with their franchise organization, and the quality of relationship with the franchisor. Franchisees within a franchise organization are expected to vary in these key variables due to differences in tenure, experience, and franchise investment objectives. By studying the franchisees instead, both within-organization and between-organization differences can be assessed. The centrality of the franchisee's behavior and perceptions is reflected in the design of both the conceptual model and the measures for the constructs.

Second, whether franchisor-sponsored information systems that support franchisee communications vary in theoretically significant ways (e.g., do electronic systems as implemented provide qualitatively or quantitatively different modes of upward/downward/lateral communication) was previously unknown. Due to the lack of prior empirical data, we opted to focus on the presence or absence of high-level system features, as represented in the hypotheses. Specifically, it is possible to pool franchisees from different organizations based upon system features, making an individual unit of analysis feasible. To further explain, franchisees, regardless of organization, are perceived as experiencing common system implementations initiated by franchisors. In using these systems, franchisees can exercise control only over their

own participation. An hedonic model is useful for studying phenomena with these characteristics (e.g., Michael et al, 2000; Ehrenberg and Hurst, 1996; Wilman, 1984). For example, franchisees from organizations that had an upward electronic communication channel are compared with franchisees from organizations that do not. This approach reduces sample size requirements significantly, and avoids problems of measurement and system invariance. Finally, preliminary investigations revealed that franchisors are very interested in the franchisee perspective; thus we believe this design increased their willingness to participate.

### **Instrumentation: The Franchisor Telephone Interview**

The script for the franchisor telephone interview is included in Appendix A. Most items, developed in preliminary research, are intended to corroborate and augment the data collected from the franchisees. An additional measure for organizational innovation culture developed by Hurley and Hult (1998) (with a reported inter-item reliability Cronbach's  $\alpha = .80$ ) has also been included. This measure was used to assess whether a relationship existed between innovation culture and intranet/extranet implementations. This assessment was necessary to address a potential competing hypothesis that innovativeness is an antecedent of intranet/extranet implementation rather than vice versa, as proposed in the model.

### **Instrumentation: The Mail Survey**

The mail survey instrument can be found in Appendix B.<sup>4</sup> In this section, the measures for the seven constructs represented in the conceptual model are discussed.

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<sup>4</sup> The items in Section VIII of the survey instrument are indicators for various dimensions of trust, which is not a construct in this study. Data were also gathered on trust for another research study.

Items for an additional construct, user information satisfaction (UIS), were included in the survey to assess whether UIS might be a possible competing hypothesis for explaining increases in communication frequency. Therefore, this construct is also discussed in this section. Within the discussion for each construct, the items used for that construct will be referenced by the section number and question number(s) found on the survey instrument.

### **Communication Channel Existence**

The twelve measures for electronic communication channel existence (Section II, items 1-12) were used to group respondents by system features. For upward, downward, and lateral communication channels, dichotomous variables for channel existence were developed. For lateral communications only, dichotomous variables for channel sponsorship, franchisor participation in lateral communication forums, and franchisor monitoring were also developed.

### **Communication Frequency**

Communication frequency refers to the number of times a franchisee uses a communication channel. The franchisee was asked to answer the questions for both electronic and traditional channels. For upward and downward communication, the respondent indicated the number of times that he/she had communicated with the franchisor in a typical week (Section III, 1. a.-h., 2. a.-h.). For lateral communication, the respondent indicated the number of other franchisees with whom he/she communicates, as well as the frequency of communication in a typical week (Section III, 3. a.-h.). In the survey, electronic channels included e-mail, discussion forums, and any other use of a ZorNet or ZeeNet; traditional communication channels included mail,

telephone, fax and face-to-face meetings such as field visits, home office visits, and owners' conferences.

### **Organizational Identification**

The organizational identification scale developed by Mael and his colleague (Mael, 1988; Mael and Ashforth, 1992) was used (Section IV, 14-18). The five-item scale has been used in other studies, including research on antecedents to identification in the military (Mael and Ashforth, 1995;  $\alpha = .74$ ) and communication patterns as determinants of identification in virtual organizations (Wiesenfeld et al, 1999;  $\alpha = .86$ ). The wording of the scale items was modified to capture identification with a franchise organization instead of referencing a university (Mael and Ashforth, 1992) or the army (Mael and Ashforth, 1995).

### **Franchisor-Franchisee Relationship Quality**

Brown and Dev (1997) developed a thirteen-item scale for measuring franchisor-franchisee relationship quality in the lodging industry (overall scale  $\alpha = .97$ ). The scale includes three subscales: relationship preservation ( $\alpha = .83$ ; Section IV, 1, 2, 4, 6, 10); role integrity ( $\alpha = .60$ ; Section IV, 3, 7, 12); and harmonization of conflict ( $\alpha = .80$ ; Section IV, 5, 8, 9, 11, 13). References to functions specific to hotels, such as reservations systems, were omitted from the adapted scale. Since this survey was administered only to franchisees and not to franchisors, the word "partner" was changed to "franchisor," and references to "my firm" were changed to "me" or "I," indicating the franchisee.

Brown and Dev (1997) also published predetermined cutoffs for scale scores so respondents could be categorized, if necessary.

### **Franchisee Satisfaction**

The twenty-item short form Minnesota Job Satisfaction Questionnaire (Weiss et al, 1967) was used to measure franchisee satisfaction (Section V, 1-20). Morrison (1997) had adapted this questionnaire to measure franchisee satisfaction in previous research, though the specific adaptation was neither published nor obtainable. In this study, some wording was modified to make the items relevant to the franchisee. For example, “the competence of my supervisor in making decisions” was changed to “the competence of the franchisor in making decisions.”

### **Innovation**

Innovation was not included as a construct in the mail survey in spite of that being the original intent. Measures of organizational innovation have included number of patents owned by a firm and perceptual scales (Kivimäki et al, 2000). Other research has looked at the effects of a single innovation within an organization (Cooper, 1994; Nambisan et al, 1999). The innovation construct in this research was trying to tap the pace of innovation. Thus, a measure of innovation that was based upon frequency of innovations, as perceived by the franchisee, in the areas of new product/service development, process change, marketing, and information technology, was included in the pre-test version of the survey (see Appendix C). However, in the pre-test, this measure turned out to be very confusing to the respondents, causing high variability in responses within the same organization.

After discussions with the pre-test respondents, the innovation construct was dropped from the survey. Innovation was instead qualitatively assessed through both



the franchisor and franchisee interviews with the hope that they might reveal clearer avenues of measurement for future studies.

### **Franchisee Compliance**

In the pre-test version of the survey, franchisee compliance was calculated as the percentage of time that a franchisee reported implementing franchisor innovations. This was consistent with the definition offered in the section on the conceptual model. This measure was a sister measure to the original innovation measure that was dropped. Therefore, this measure too (also shown in Appendix C) was dropped from the survey. Instead, an eleven-item Likert scale was included to measure the franchisee's perception of his/her own compliance, which was derived for this study (Section IV, 19-23; Section VI, 1-6).

### **User Information Satisfaction**

As mentioned earlier, items were included in the survey to measure user information satisfaction (UIS) of intranets/extranets to assess whether or not UIS might be a competing hypothesis for increases in communication frequency. Doll and Torkzadeh's (1988) twelve-item scale was used to measure user information satisfaction for those franchisees (Section VII, 1-12). An overall measure of UIS was also included (Section VII, 13). The Doll and Torkzadeh (1988) scale focused more on information content and thus, unlike other commonly employed information satisfaction measures (Baroudi and Orlikowski, 1988; Ives et.al. 1983) did not have indicators related to the relationship with information technology staff or participation in development. In the franchise environment, franchisees would rarely have any

interaction with IT personnel or any participation in the development process.

Generally, the franchisor would unilaterally make all of those decisions.

### **Instrumentation: Franchisee Interviews**

The franchisee interviews (face-to-face or telephone) used a set of open-ended questions. This interview was semi-structured (see Appendix D for a script), so the questions did vary from interview to interview, but the objectives of the interviews, listed below, were consistent:

- To have the franchisee demonstrate the available electronic communication channels, in order to ensure that semantics are consistent. For example, do different franchise organizations' characterizations of the concept "discussion forum" mirror each other? Does this term as used by franchisees have a meaning that is consistent with my definition?
- To discuss monitoring of lateral channels.
- To discuss how and why lateral channels are used.
- To analyze communication content, both electronic and traditional, for insights about any of the constructs.
- To explore the area of non-franchisor-sponsored ZeeNets.

### **Data Collection Procedures**

Data collection involved three procedures:

- Conducting interviews of franchisor management personnel
- Sending out the mail survey
- Conducting franchisee interviews

The instruments have already been discussed. In this section, I will focus on solicitation of participation and data collection processes.

### **The Franchisor Interviews**

**Solicitation of Participation.** Franchisor participation in the study was sought using a three-step process:

- Pre-contact telephone call.
- Mailing of a franchisor solicitation packet.
- Follow-up telephone call.

The pre-contact telephone call (see Appendix E for a script) served three purposes. First, the call allowed for pre-screening of franchisors. Some franchisors were expected to decline to participate at this point, in which case the cost of mailing the solicitation packet could be saved. The pre-contact call was also used to ascertain whether or not electronic communication channels were available in the organization in an attempt to obtain a balanced (or near balanced) sample in terms of system features.

Franchisor personnel were asked two yes or no questions:

1. Does your franchise organization have an intranet/extranet system?
2. Does your franchise organization use other electronic communication channels such as e-mail or discussion forums to communicate with franchisees?

Secondly, the pre-contact telephone call allowed for notification of the franchisor that a request for participation in a research was being mailed to the organization. Thirdly, the telephone call allowed for verification of contact information to ensure that the solicitation packet would be mailed to the appropriate individual. If

the individual who was to receive the solicitation packet was not the same individual to whom the pre-contact call was made, the person who was to receive the packet was also called prior to the mailing.

If the franchisor agreed, within two days of the pre-contact call, a solicitation packet was mailed to the franchisor. This packet consisted of a letter of introduction (see Appendix F) and a sample report (see Appendix G). The letter informed the franchisor of the nature of the study and outlined both the benefits and expectations of participation. In exchange for the franchisor's participation, the organization was promised a report summarizing the research findings. To give the franchisor a feel for the type and quality of information to be received, a sample report was produced. To demonstrate the professional quality of the research outcomes, a two-page report was printed in color and bound in an attractive cover.

The letter of introduction in the solicitation packet indicated that the individual would be contacted by telephone to answer any questions that he/she might have about the research study. A follow-up telephone call was made to the individual who received the packet four to five working days after the mailing. This phone call served three functions. First, it verified that the packet was received. Second, it asked for franchisor participation. Third, if the franchisor agreed to participate, the details of participation were explained.

**Franchisor Participation.** Franchisor participation entailed: (1) assistance in compiling a mailing list of franchisees, and (2) willingness to participate in franchisor management personnel interviews. Arrangements for obtaining the franchisee survey mailing list were finalized in the follow-up telephone call made to request participation.

In the follow-up call, the individual who received the solicitation packet was asked who in the organization would be best qualified to serve as interviewees on the franchisor's behalf, based upon the questions to be asked. Contact information was obtained.

At this point, separate interviews with two individuals on the franchisor management team were scheduled. These interviews were taped except in one case. That interviewee was using a mobile phone which caused unacceptable levels of static on the interviewer's speaker phone. The interviewer's phone had clearer reception when the speakerphone was deactivated, but that made taping impossible. Handwritten notes were taken instead.

### **The Mail Survey**

The second component of the data collection process was the mailed franchisee survey. To increase the response rate, the following procedure was followed:

- A pre-contact postcard was mailed to the selected franchisees (see Appendix H).
- Three working days later, a letter of introduction (see Appendix I), the survey, and a business reply envelope were mailed to the selected franchisees. To keep track of which surveys were returned, each franchisee was assigned a number, which was placed on the business reply envelope. In six of eight organizations, letters from the franchisor about the study were also included. The remaining two organizations did not respond to requests to provide such a letter. These letters varied from organization to

organization and are not provided so that organizational anonymity may be preserved.

- Two weeks after surveys began to be returned, approximately four weeks after the initial survey mailing, a reminder postcard was mailed to all franchisees.

Three weeks following the reminder postcard mailing, the response rate was still inadequate (response rate percentages are included in the next chapter). In addition, the response rates varied by organization. Specifically, organizations that provide intranet/extranet systems had more franchisees respond to the survey than those that do not provide intranet/extranet systems. Thus, it was decided that a targeted second appeal to fill out the survey would be most appropriate, i.e., franchisees from organizations without intranet/extranet systems would be contacted. The process of contacting selected franchisees about the survey also made it possible to check for non-response bias simultaneously.

The targeted appeal had three facets. First, there was one organization in which no franchisees responded to the original mailing. This particular organization was fairly small (33 franchisees), so all of these franchisees were mailed a letter of appeal (see Appendix J), the original letter of introduction, the survey, and another business reply envelope. This packet of materials was mailed 2<sup>nd</sup> Day Air. In addition, all of these franchisees were contacted by telephone and informed about the new mailing. A script for these telephone calls is included in Appendix K.

Second, a cross section of franchisees of other organizations without intranet/extranet systems was contacted by telephone. A script for these telephone calls

is included in Appendix L. The franchisees were asked if they had received the original survey, and were asked to complete the survey. If requested by the franchisee, a duplicate survey packet was mailed 2<sup>nd</sup> Day Air or was faxed to the franchisee based on his/her own preference.

Finally, when the responses became more evenly distributed between franchisees in organizations that provided intranet/extranet systems and those in organizations without intranet/extranet systems, a cross section of franchisees from organizations with intranet/extranet systems was also targeted in the same manner as those in the second facet of the appeal.

### **Face-to-face Franchisee Interviews**

The final component of the data collection effort was the franchisee interviews. To reduce travel time and cost, franchisees were chosen as interviewees on the basis of proximity to the researcher. All respondents were pre-contacted by telephone to solicit participation and to schedule an interview time. A script for franchisee participation solicitation is included in Appendix M. The franchisees that were interviewed prior to the survey being mailed were informed that a mail survey was coming and that it was important to fill out the survey and return it. Those interviewed after the mailing were asked if they had filled out the survey, and were requested to return it.

### **Quantitative Data Analysis Strategy**

For the hypotheses testing the relationship between channel existence and communication frequency (H1a, H1b, H1c), the data were analyzed using analysis of variance (ANOVA), except when the assumptions of normality and/or homogeneity of variance were violated. Then the analogous Wilcoxon nonparametric test was used.

Quantitative data were not collected for the innovation construct, so hypotheses related to innovation (H2a, H2d) were not statistically analyzed. For the hypotheses testing (1) the relationship between communication frequency and strategic outcomes (H2b, H2c, H2e, H2f), and (2) the moderating effects of the franchisor-franchisee relationship variables (H3a, H3b, H3d, H3e), partial least squares (PLS) was the analysis tool. Hypotheses related to non-franchisor-sponsored lateral electronic communication channels (H3c, H3f) were not tested, as no such channels were encountered in the participating organizations.

### **Analysis of Variance (ANOVA)**

Analysis of variance is a univariate procedure suitable for testing for group differences (Hair et al, 1998). The test assumes a normal distribution with equal variances among the groups. For Hypotheses 1a, 1b, and 1c, there are two groups of franchisees (based upon the existence of communication channels) that are expected to vary in terms of how often they communicate with their franchisor and other franchisees. Thus, ANOVA is the appropriate parametric test. In the case of two groups, ANOVA and the t-test are equivalent (Neter et al, 1996). Though parametric tests are preferable to nonparametric tests (Pfaffenberger and Patterson, 1977), if normality and/or equal variance assumptions are violated, the Wilcoxon test, for sample sizes larger than 10, is “an excellent alternative to the t-test” (Siegel and Castellan, 1988). The test sometimes has been shown to be more powerful than the t-test (Siegel and Castellan, 1988).

For each of the dependent variables in Hypotheses 1a, 1b, and 1c, test statistics were generated to test the assumption of normality as follows:



- One z-score was calculated by dividing the kurtosis statistic by the standard deviation.
- A second z-score was calculated by dividing the skewness statistic by the standard deviation.
- If either of these statistics was greater than  $\pm 1.96$  (Hair et al, 1998), the assumption of normality was considered to be false.

The Levene statistic was used to test for equal variances.

### **Partial Least Squares (PLS)**

Partial least squares is a structural path estimation approach (Chin, 1998). Like other structural equation modeling (SEM) approaches, PLS can model the relationships among multiple variables, has the capability of working with unobservable latent variables, and can account for measurement error in the development of latent variable constructs (Chin, 1998).

PLS's approach is different from some other SEM approaches such as that employed in LISREL. LISREL uses a covariance-based approach, which means that to calculate path coefficients, the differences between the sample covariances and those predicted by the theoretical model are minimized. PLS, on the other hand, uses a component-based approach, similar to principal components factor analysis (Compeau et al, 1999). PLS calculates loadings between items and constructs and regression coefficients between constructs. The covariance-based approach assumes multivariate normality, whereas the component-based approach does not. "The PLS approach is distribution-free" (Wold, 1982, p. 200). Thus, PLS is preferable when multivariate normality is not demonstrated.

PLS adopts Anderson and Gerbing's (1988) two-step approach to analysis.

First, a measurement model is evaluated to determine the validity and reliability of the measures. Second, after the measurement model is deemed to be acceptable, a structural model is evaluated to determine the relationships among the constructs.

**Measurement Model.** The goal of evaluating the measurement model is to assess how well the individual items measure the latent variable or construct that they were intended to measure. As in other IS studies (e.g., Compeau et al, 1999; Thompson et al, 1994), the measurement model was evaluated based on the individual item loadings, internal composite reliability, and discriminant validity.

Individual item loadings are used to assess the validity of the measurement model. Ideally, individual item loadings should be above .70, but loadings above .50 "may still be acceptable if there exist additional indicators in the block" (Chin, 1998, p. 325) of items for a particular construct.

Internal composite reliability scores should also be above .70 (Fornell and Larcker, 1981). Since all indicators in the model for this research study are reflective (Chin, 1998), composite reliability was calculated as follows (Werts et al, 1974), as recommended by Chin (1998):

$$\rho_c = \frac{(\sum \lambda_i)^2}{(\sum \lambda_i)^2 + \sum_i \text{var}(\epsilon_i)}$$

where  $\lambda_i$  = the component loading to an indicator

and  $\sum_i \text{var}(\epsilon_i) = 1 - \lambda_i^2$

Discriminant validity is assessed by evaluating cross-loadings and average variance extracted (e.g., Compeau et al, 1999). First, items should load higher on their

intended constructs than on any other construct in the model (Chin, 1998). Second, average variance extracted (Fornell and Larcker, 1981), which measures the amount of variance captured by the indicators of a construct versus the amount of variance caused by measurement error (Chin, 1998), should be above .50. This would indicate that more than half of the variance is accounted for by the construct. The average variance extracted as calculated by Fornell and Larcker (1981) is identical to the average of the communalities in the block of indicators (Chin, 1998), which is provided for each construct in the PLS Graph output (Chin and Frye, 1996).

**Structural Model.** Once the measurement model is acceptable, the structural model is assessed. The hypotheses are tested by evaluating the path coefficients “which are standardized betas” (Compeau et al, 1999, p. 152). Structural models may be created in PLS using either a jackknife or bootstrap approach. Jackknifing is “an inferential technique that assesses the variability of a statistic by examining the variability of the sample data rather than using parametric assumptions” (Chin, 1998, p. 318). In the bootstrapping approach, “N samples sets are created in order to obtain N estimates for each parameter in the PLS model. Each sample is obtained by sampling with replacement from the original data set” (Chin, 1998, p. 320).

Both jackknifing (e.g., Compeau et al, 1999) and bootstrapping (e.g., Ravichandran and Rai, 2000) approaches have been used in IS studies. The jackknife is considered to be an approximation of the bootstrap (Chin, 1998). Structural models were created using both methods, with no difference in the statistical significance of the path coefficients.

The structural model referenced in the next chapter was created using jackknifing. The jackknife output (Chin and Frye, 1996) included adjusted t-statistics,

whereas the bootstrap output did not. The adjusted t-statistics provide more conservative estimates. The typical jackknife size of 1 (Chin, 1998) was used, generating 87 subsamples.

### **Qualitative Data Analysis**

Interview data were collected from both franchisor management personnel and franchisees. A primary purpose of the interviews was to learn about the systems, automated or not, that the franchisors provide to support franchisee communications. As this information is believed to be valuable in interpreting the mail survey results, a descriptive or explanatory (Yin, 1994) presentation of systems prefaces the actual survey results in Chapter 5.

Chapter 6 begins with demographic information about the interviewees. The remainder of the interview data was analyzed primarily by comparing and contrasting the different responses about the constructs, an analysis technique suggested by Miles and Huberman (1994).

The mail survey results are presented next in Chapter 5.

*We often discover what will do, by finding out what will not do.*  
– Samuel Smiles

## **SURVEY RESULTS**

This chapter delineates the demographic characteristics of the participating organizations and survey respondents and describes the information technology provided by each of the franchisors for use by the franchisees. We draw upon those technology characterizations to classify respondents as members of organizations that either do or do not employ electronic communication channels. These classifications are further differentiated based upon the communication direction (upward, downward, and lateral). Then the survey results will be presented and analyzed.

### **The Sample**

Participating organizations were sought through the solicitation process consisting of a pre-contact phone call, a packet containing a letter of introduction about the study and a sample report, and a follow-up phone call. A total of thirty-three franchise organizations were contacted about participation; thirty-one franchisor solicitation packets were mailed.

The solicitation process turned out to be very time-consuming for a couple of reasons. It took a week to ten days for packets to arrive and it usually took at least a week, sometimes two, before organizations made decisions about their participation. In addition, the contact information for franchisors and personnel is ever changing.

*Bond's Franchise Guide* (1999) was used as a starting point, but it was critical that all mailing addresses be verified. Automated phone systems sometimes further compounded the address verification task. Obtaining franchisor decisions about study participation, typically, required two to four follow-up phone calls.

The final sample consisted of 752 franchisees from eight franchise organizations (24% of those solicited) in the food service industry. Although the original intent was to select organizations based upon organizational communication capability, i.e., electronic communication channel existence, any franchisor that was willing to participate became a participating organization.

Franchisors that would not participate offered a variety of reasons. A couple of organizations indicated that they have company policies which prohibit participation in any study. The policies are intended to protect the franchisees from being deluged by requests to fill out surveys which will take focus away from their business. One organization voiced privacy concerns. Three organizations indicated that they were in the middle of management changes (one was a hostile takeover) and that the timing was just not right. Three organizations declined to participate since they were involved in other research studies. One organization did not want to participate because they did not want to respond to issues brought up by the franchisees as a result of the survey, i.e., they did not want to be forced to implement technology before they were ready to do so. Five would only say that they were not interested. Actual voice contact or e-mail contact with the remainder of the organizations was never made.

Demographic information about the participating organizations is presented in Table 2. Note that nine organizations are shown in Table 2. As mentioned earlier, only eight organizations comprised the final sample. Organization 7 initially elected to participate in the study and two interviews of franchisor management personnel were conducted. However, when it came time to mail the survey, the franchisor contact requested a copy of the survey. Upon review of the survey instrument, the franchisor

withdrew permission to survey the franchisees. The organization objected to the questions on the franchisor-franchisee relationship, franchisee compliance, and franchisee satisfaction, though the contact would not give any information as to why those questions were problematic. An additional factor, perhaps, in the decision to withdraw support for the study was that the initial contact person at the company, an individual who was interviewed, was no longer working at the company at the time the surveys were mailed. Two other franchise organizations also requested copies of the survey, and those mailings proceeded as planned.

**Table 2. Demographics of Participating Organizations**

Organization	Number of Franchise Units	Number of Company Owned Units	Number of Single-Unit Operators	Number of Multi-Unit Operators	Average Number of Units Owned by a Multi-Unit Operator
1 *	136	1	116	16	2.2, largest 4 ***
2 *	110	4	51	16	2.2, largest 5
3 *	214	0	67	44	3.3, largest 21
4 *	125	35	62	23	2.7, largest 7
5 *	51	37	23	10	2.8, largest 5
6 **	~420	2	N/A	40-42	2-3
*	147	2	121	10	2.5
7 **	~320	~30	N/A	~67%	2
8 **	~700	~220	N/A	~85%	5-6, but 4 franchisees own over 50 units each
9 *	97	2	68	12	2.4, largest 6
* Numbers were generated based upon mailing lists of franchise stores that were provided by the franchisors. ** Numbers were based upon franchisor interview data. For Organization 8, the mailing list provided by the franchisor was a list of franchisees rather than a list of stores. ***Nine owners owned multiple units alone; seven owned multiple units with other partners.					

The organizations ranged in size from 51 franchise units to a little over 700 units. All of the non-participating organizations were similar in size; they ranged from approximately 20 to 400 units. Most began franchising in the late 1980s (6 of 9); the

other three started franchising as long ago as the late 1940s to as recently as the late 1990s (Bond, 1999). Nonparticipating organizations had parallel franchising histories. The participating organizations had between 30 and 135 different franchisees (Mailing Lists, 2000), so were fairly similar in that respect. Information on number of different franchisees was not available for nonparticipating organizations.

### **Classification of Respondents**

Respondents were classified into groups based upon membership in a particular franchise organization. Since Organization 7 opted not to participate in the mail survey, that organization is not included in the classification. For each participating franchise organization, electronic communication channel existence in each direction (upward, downward, and lateral) is summarized in Table 3.

**Table 3. Electronic Communication Channels in Participating Organizations**

<b>Organization</b>	<b>Upward</b>	<b>Downward</b>	<b>Lateral</b>
1	Yes	Yes	Yes
2	No	Yes, for some	No
3	Yes, for some	Yes, for some	Yes, for some
4	No	No	No
5	No	No	No
6	No	No	No
8	Yes, for some	Yes, for some	No
9	Yes	Yes	Yes

Based on the similarity of system features across the various information technology implementations and sample size limitations, grouping by channel existence as opposed to organization was deemed to be more appropriate for this analysis. In addition, three of the organizations (2, 3, and 8) had information systems in various stages of development and/or implementation. In other words, electronic channels were available to some franchisees, but not to all. Therefore, for these organizations,



individual respondents were classified based upon their perceptions about channel existence.

## **Information Technology Provided by the Franchisors**

Before we consider the analysis of the survey data, it is necessary to provide a description of the information technology that is in use at each organization.<sup>5</sup> In particular, the focus of this section is on information technology provided by the franchisor for franchisee use. This contextual information will be important to the interpretation of the results.

### **Organization 1**

This franchise organization provides an extranet for use by its franchisees. The system had been developed in-house and is evolving. The first implementation was reported to have occurred “sometime prior to March 1999”; the version demonstrated during the interviews had been in place since March 2000. About 60% of the franchisees are frequent users of the system. This organization had a history of electronic communication use, having started using e-mail to communicate with franchisees in the early 1990s.

The extranet system features, in many ways, are analogous to the sample ZorNet menu shown in Chapter 1, Figure 1. The franchisees contract for their own internet service provider (ISP) and then are able to access the extranet through a password-protected web site. The “Front Page” or home page of the site contains the following:

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<sup>5</sup> All of the participating organizations also have web sites available to the general public.

- **An announcement area, which contains “short little tips like ‘here’s an oven for sale’, or ‘can you pick me up at the airport on the way to convention’” (Zor Interviews, 2000). Announcements are time sensitive items and are not archived for future reference.**
- **An articles area, which is used for posting items similar to what might appear in a newsletter. Examples are reports from the franchisee advisory council, gross sales information for the franchise system as a whole, or registration information for the annual owners’ convention.**
- **A discussion area, which any franchise owner can use to post anything he/she would like. In this section, franchisees discussed everything from product (how do I make such-and-such a product) to operations (are you going to be open on Christmas Eve even if it falls on a Sunday) to franchise issues (how big should a franchise territory be) to marketing (what’s the status on getting a price on the new sweets packaging). Franchisor personnel often answered questions that were posted, but more often franchisees posted responses.**
- **Links for fundamentals on operations. There are links to information on (1) the company’s main product, (2) customer service, (3) store locations, (4) “numbers”, or sales revenue, (5) “people” or franchisor personnel, and (6) marketing. Franchisees are able to download turnkey marketing materials from the extranet. The franchisor reports that, of all the links, the marketing link is used most heavily by the franchisees.**
- **A section on recipes. The franchisor posts recipes that they recommend and that have been tested. There is also a section called “recipe mulch” where franchisees**

can post their own recipes. The franchisor is explicit about what has been tested and what has not, but nonetheless, this is a place where franchisees can share their own recipes.

- A chat room. Occasionally, the franchisor will schedule times for chats on particular issues. The franchisees may go into the chat room at any time, even if there is no scheduled chat session.
- Pictures of the stores, both interior and exterior. This is a work-in-progress where the franchisor is trying to get pictures of all of the stores.
- A “best-to-visit” list. The “best-to-visit” list is provided as part of the company’s travel match program. Franchisees can visit other stores to get ideas, and the company allows the franchisees to then deduct half the expenses for the trip from their royalties. For example, if a franchisee needs help with promotion, the extranet provides a list of franchisees who are recognized by the franchisor as being the “best-to-visit” to learn about promotion.

E-mail, which is a part of the ZorNet example (see Figure 1), was once provided as a part of this extranet but is not available in the current version. In the previous version, e-mail sent through the extranet went to all users, which meant that every user received every piece of e-mail. Using this system, in the eyes of some users, was cumbersome and wasted time. The company opted to push all the e-mail to the current discussion area and discontinue the old e-mail, so that franchisees could look at only what was pertinent to them at the time. This also gave the company the ability to archive the discussions systematically, and have a repository of shared information.

The organization still uses e-mail outside of the extranet, but in an effort to get the franchisees to use the discussion groups, the franchisor is “trying not to confuse them by also sending them e-mail” (Zor Interviews, 2000). The franchisor does provide information on how to contact other franchisees using e-mail.

To summarize, the extranet provided by this organization supports upward and lateral electronic communication through the discussion groups, announcements, “recipe mulch”, and the chat room, and downward electronic communication through most of the system features.

## **Organization 2**

Organization 2 has some technology in place for franchisees, but it is not a ZorNet. Like a ZorNet, the system requires the franchisee to have Internet access through an ISP, but the similarities end there. Developed in-house, this PC-based system stores the information polled from the store’s cash register system and produces a series of inventory management, labor management, and financial reports for the franchisee. The franchisor has an FTP site that is connected to the corporate web site. On a daily basis at a set time specified by the franchisee, the program automatically initiates a call to the franchisee’s ISP, connects to the franchisor’s FTP site, and sends the sales information for the previous day. The program also checks for updates from the franchisor’s office that are also stored on the FTP site, and downloads those. The franchisor might store food catalogs, lists of approved suppliers, and recipes.

The system itself is fairly new; about 20% of the franchisees use the system. The franchisor is trying to get the franchisees to adopt the system, and new stores must open with the system in place, but not all of the franchisees are convinced that the

system is reliable and/or useful. One franchisee who has the system in his new store but not in his old one says the system is “25% effective” (Zee Interviews, 2000). Another agrees, saying that it is quicker to do the necessary paperwork by hand than to use the system.

Technically, through this system, upward and downward electronic communication channels exist. The downward channel supports a wide range of communication, but the upward channel is only used to send required sales information as specified by the franchisor. No lateral communication support is provided. In the sense that we are looking at electronic communication channels for purposes of this study, it is safe to say that only a downward channel is provided.

### **Organization 3**

This franchise organization has the IFX International intranet which is identical to the ZorNet shown in Figure 1 (with the exception of the company logos). At the time of the franchisor interviews in August, 2000, franchisor management team members reported that the intranet system was in test, but that roll out was expected within thirty to sixty days. As of mid-November 2000, when I spoke to a franchisee who was involved in the testing of the system, he indicated that the intranet had not been rolled out to the franchisees yet and that he personally had had access to the system for eight months as part of the test. The franchisor personnel did indicate that e-mail was a viable form of communication in the organization.

The survey was received by most individuals in mid-November so at the time of the survey, this organization did not provide electronic communication channels to its franchisees, with the exception of the five to seven franchisees involved in the test.

### **Organizations 4, 5, and 6**

These franchisors do not provide a ZorNet or any other technology. All of the organizations have the capability to send e-mail, but many of the franchisees do not have e-mail capability, i.e., Internet access. A voice mail system is provided by Organization 4 to the franchisees who are area developers so that all of them may maintain communication with the franchisor and other area developers. For purposes of this study, however, all of these franchisors will be considered as organizations which do not provide electronic communication channels to their franchisees.

### **Organization 7**

Organization 7's franchisees did not participate in the survey, but franchisor interviews about communication technology were conducted. The information is provided here as another indicator of the status of technology in food service franchise organizations. E-mail was being used on a limited basis to communicate with franchisees. Franchisor personnel estimated that approximately 70% of the franchisees had e-mail capability. An intranet or extranet was not yet in place, though one was under development by a third party. As of August, 2000, the timeline to implementation including testing was expected to be six months.

### **Organization 8**

As of October 5, 2000, this franchisor provided an intranet through a link on the corporate web site. This organization had gone through major changes in management personnel in the preceding year, and the web site, including intranet support, was undergoing corresponding changes. One of the franchisees interviewed indicated that the company had been working on a web site for the franchisees to use for about three

years. The system was up, then down, then up again, then down again. At the time the survey was mailed, the intranet was up and operational. However, by the time the interviews were concluded in late November, the intranet site was taken down for revisions. As of mid-January 2001, the intranet system was still down.

The system, though, was operational at the time the surveys were mailed, but not much beyond that. These franchisees were classified as technology or non-technology users based upon their own perception.

As of early October 2000, the system was used to post notes or changes in procedures to the franchisees. A bi-weekly communication, which was much like a newsletter, was also posted. This “newsletter” contained information from all departments, including operations, marketing, and training. The company was in the process of adding a link to their point-of-purchase advertising materials vendor. From this link, the franchisees were expected to be able to view upcoming promotional materials and then order what they wanted online. The system also had a link which provided e-mail addresses for contacting all of the corporate staff as well as members of the franchise advisory committee.

E-mail capability was not part of the intranet, though franchisor personnel reported using e-mail frequently to communicate with franchisees. Discussion forums were not available.

### **Organization 9**

This franchise organization had recently implemented the IFX International intranet (see Chapter 1, Figure 1). As of late October 2000, the system had been available to the franchisees for about five months, with an estimated fifty percent of

them being active users. The system had been tested for ninety days prior to the roll out by the franchisor and a core group of five franchisees.

The main menu shown in Figure 1 shows that the intranet provides:

- An internal e-mail capability. Franchisor personnel do use e-mail outside of the intranet, but its use is discouraged. E-mail capability for the franchisees consists of communication with franchisor personnel and selected vendor personnel. The franchisor has chosen not to support franchisee-to-franchisee e-mail through this feature, though the organization does provide contact information for the franchisees to contact one another outside of the intranet.
- A discussion forum capability called "Q&A's." At the time of the interviews in late October 2000, five discussion forums were available to all of the franchisees. One forum is set up for each of the franchise business consultants (corporate liaisons to the franchisees). Franchisees are expected to post questions of any nature to their business consultant through these forums. There is also a general discussion forum and one for marketing as well. In addition, there is a forum dedicated for exclusive use by members of the franchise advisory council, which is made up of six franchisees.
- A "News" section. This includes forms that the franchisees use for operational reports, information about new store openings, news from newspapers about the particular segment of the food industry in which the franchisor competes, and pictures of the stores.



- A “Library” section. The library has all of the procedural manuals related to the franchise organization. For example, a franchisee could find all of the information he/she needed to build a new store, including materials and budgets.

For purposes of this study, this organization is considered to provide upward (e-mail and Q&A), downward (all features), and lateral (Q&A) electronic communication channels for franchisee use.

## **Survey Results**

In this section, the mail survey results are reported. First, particulars about the administration of the survey and response rates are discussed. Second, discussions of non-response bias and missing data follow. Third, individual respondent descriptive statistics are presented. Fourth, hypotheses testing results including tests for statistical procedure assumptions are reported. Finally, themes from the open-ended questions from the survey are presented.

### **Survey Administration and Response Rates**

The survey was administered in accordance with the methodology outlined in the previous chapter. Specifically:

- A pre-contact postcard was mailed to 752 franchisees on October 31, 2000.
- Three working days later, on November 2, 2000, a survey packet, including a letter of introduction, the survey, a business reply envelope, and a letter from the franchisor (if available) was mailed to the same 752 franchisees.
- The first survey response was received on November 20, 2000. There were 32 responses as of December 1, 2000. Two weeks after the surveys began to be

returned, on December 4, 2000, a reminder postcard was mailed to all 752 franchisees.

- As of January 1, 2001, 62 franchisees had responded to the survey. This response rate (8.2%) was still inadequate. In addition, as reported in the previous chapter, the response rates varied by organization. The three-faceted target appeal was administered as follows:
  1. For the organization in which no franchisees responded to the original mailing (n=33), all of these franchisees were mailed a letter of appeal and a new survey packet via 2<sup>nd</sup> Day Air on January 6, 2001. January 11-18, 2001, we attempted to contact 30 of these franchisees by telephone to follow up. Two of the surveys were returned by the post office as undeliverable and one completed survey was received prior to beginning the telephone calls, so those three franchisees were not called. Of the thirty calls made, direct contact was made with 16 franchisees and messages were left for 4 others. Of the 33 surveys originally mailed, 13 were returned as of February 1, 2001.
  2. Franchisees of two other organizations without intranet/extranet systems were contacted by telephone. One organization in this non-technology group only had one respondent. However, due to the difficulty in scheduling interviews with these franchisees and their franchisor management, in the interest of trying to use time most wisely to increase response rate, franchisees from the two organizations with the next lowest response rates were targeted. Between January 8-19, 2001, a total of 53 telephone calls were made. Direct contact was made with 31 franchisees, and messages were left for 6 others. As a result of these phone calls, another blank

survey was either mailed (n=8), faxed (n=12), or emailed (n=1). The franchisee's personal preference dictated how the survey was sent.

3. Finally, when the responses became more evenly distributed between franchisees in organizations that provided intranet/extranet systems and those in organizations without intranet/extranet systems, franchisees from two organizations with intranet/extranet systems were also targeted. For the third organization classified in the technology group, the franchisor did not provide telephone numbers for all of its franchisees and the phone numbers were not published on the Web by owner, so these franchisees were not targeted. Between January 19-25, 2001, 40 franchisees were called. Direct contact was made with 16 franchisees and messages were left with 3 others. As a result of these phone calls, another blank survey was either mailed (n=3), faxed (n=11), or emailed (n=1). The franchisee's personal preference dictated how the survey was sent.

As of February 1, 2001, 97 completed surveys had been received, for a response rate of 12.9%. One survey had not been mailed in a business reply envelope and the information on the survey gave no clear indication of what organization was being represented, so this survey was dropped from the analysis.

Response rates by organization are summarized in Table 4.

### **Non-response Bias**

The telephone calls to franchisees made in the targeted appeals provided an opportunity to check for non-response bias. Direct contact was made with a total of 53 franchisees. The reasons for not participating in the survey included lack of interest (n=3), lack of time (n=3), family illness (n=1), privacy concerns (n=1), and dislike of

the franchisor (n=1). In five cases, ownership of the unit had changed hands. Of the 123 total calls made, nine telephone numbers had been disconnected or were incorrect. Of the 69 franchisees who received second surveys either through mail, fax, or e-mail, all indicated that they either did not receive the first mailing or that they threw it away,

**Table 4. Survey Response Rates by Franchise Organization**

<b>Organization</b>	<b># Mailed</b>	<b># Responses</b>	<b>% Responses</b>	<b>Franchisor Letter<sup>6</sup></b>
1	125	22	17.6%	Y
2	95	12	12.6%	N
3	111	11	9.9%	Y
4	85	14	16.5%	Y
5	33	12	36.4%	Y
6	126	1	0.8%	N
8	99	14	14.1%	Y
9	78	9	11.5%	Y
<b>Total</b>	<b>752</b>	<b>97</b>	<b>12.9%</b>	

not knowing what was contained in the envelope. Many were uncertain whether they received it or not, so a clear indication of how many did not receive the survey versus those that threw it away was not obtainable.

Of the 69 franchisees that received second surveys, 48 in some form or another had agreed to participate in the survey. Some indicated that the survey had already been mailed, and others promised to fill it out and mail it. From these 48, twenty-seven responses were received.

### **Missing Data**

Systematic patterns of missing data were not encountered in the data set. Data were analyzed using pairwise comparisons, so the number of cases dropped in any

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<sup>6</sup> The "franchisor letter" refers to a letter provided by the franchisor for inclusion in the original survey mailing packet. This column indicates which organizations provided the letters and which did not.

given statistical procedure is reported with the results for that procedure. The largest number of cases dropped due to missing data in any analysis was 9.

### **Characteristics of the Respondents**

Demographic characteristics of the respondents are summarized in Table 5. All respondents indicated that they were franchisees, or owners (as opposed to being a manager who was not an owner). The majority of the respondents (63.5%) owned a single unit; another sizeable group (14.6%) owned two units. The average and median numbers of units owned were 4 and 1, respectively, with the largest franchisee owning 62 units. The average and median lengths of tenure of the respondents were 5.5 years and 4.5 years, respectively, with the newest franchisee owning a unit less than one year and the most experienced franchisee being in business for 27 years. Almost 14% of the respondents had been previously employed by the franchisor in capacities ranging from store manager to corporate officer.

**Table 5. Characteristics of Franchisee Survey Respondents**

<b>Characteristic</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Standard Deviation</b>
Number of stores owned	96	1	62	4.11	10.18
Length of tenure	95	.25	27	5.51	5.05
<b>Characteristic</b>	<b>N</b>	<b>Percentage</b>			
Previously employed by franchisor	13 of 94	13.8%			
Member of Franchise Advisory Board	21 of 94	22.3%			
Revenue growth over prior year sales (n=87)					
• Less than 5% (including loss)	47	57.4%			
• 6 – 10%	18	18.8%			
• 11 – 15%	13	13.5%			
• Over 15%	9	9.4%			

Many of the organizations have franchise advisory councils, which are boards or committees of franchisees appointed by the franchisor or elected by other franchisees that seek to assist the franchisor by providing a franchisee perspective or to address

franchisee concerns in the field. Almost 22% of the respondents are members of a franchise advisory board.

The respondents also reported their average percentage revenue growth over prior year sales. Forty-six percent reported growth in excess of 5%.

### **Hypotheses Testing**

**Research Question 1.** The first research question was: how do electronic communication channels affect communication frequency within the franchise organization? Three hypotheses were formulated:

H1a: In franchise organizations that have a downward electronic communication channel, communication from the franchisor to the franchisee will be more frequent than in those organizations without downward electronic communication channels.

H1b: In franchise organizations that have an upward electronic communication channel, communication from the franchisee to the franchisor will be more frequent than in those organizations without upward electronic communication channels.

H1c: In franchise organizations that have a lateral electronic communication channel, communication among franchisees will be more frequent than in those organizations without lateral electronic communication channels.

Results of tests for normality of the three communication frequency (dependent) variables (downward, upward, and lateral) are shown in Table 6. Upward and lateral communication frequencies are normally distributed, but downward communication frequency is not. Nine respondents indicated that the franchisor did not communicate with them in a typical week. Since there were downward communication frequencies that were equal to zero, a transformation of the data was not possible. Thus, any means comparisons related to downward communication frequency that follow will be performed through nonparametric methods.

On the survey, three questions (see Appendix B - Section II. 1, 2, and 3) were asked about the availability of electronic channel, one for each direction. With the inclusion of electronic mail as an electronic communication channel, at least 75% (n=96) of the respondents indicated that electronic communication channels were available in all three directions (downward, 82.3%; upward, 86.2%; lateral, 75.5%).

**Table 6. Tests for Normality of Communication Frequency Variables**

	N	Mean	Std Dev	Skewness		Kurtosis		Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error	/ Std Dev	/ Std Dev
Downward Communication Frequency	92	4.693	7.218	5.692	0.251	41.433	0.498	0.789	5.740
Upward Communication Frequency	93	4.382	4.382	1.949	0.250	4.360	0.495	0.445	0.995
Lateral Communication Frequency	93	14.005	40.728	4.519	0.250	22.492	0.495	0.111	0.552

The assumption of equal variances in upward communication frequency for groups based upon upward communication channel existence was not supported ( $L = 6.603$ ,  $p = .012$ ); likewise, the assumption of equal variances in lateral communication frequency for groups based upon lateral communication channel existence was not supported ( $L = 8.582$ ;  $p = .004$ ). Thus, hypotheses 1b and 1c were also tested using a nonparametric statistic.

The Wilcoxon (W) test indicated that Hypothesis 1a was supported ( $W = 467.40$ ,  $Z = -2.393$ ,  $p = .017$ ). Franchisees perceived downward communication frequency of franchisors to be significantly greater in organizations that had downward electronic communication channels versus those that did not have downward electronic communication channels. See Table 7 for means, standard deviations, mean ranks, and test statistics.

**Table 7. Downward Communication Frequency by Downward Channel Existence**

Downward electronic communication capability?	N	Mean	Standard Deviation	Mean Rank	Sum of Ranks	Z	p
Yes	76	5.24	7.79	48.93	3718.50	-2.393	.017
No	15	2.22	2.03	31.17	467.50		
Total	91						

The Wilcoxon (W) test indicated that Hypothesis 1b was not supported ( $W = 688.50$ ,  $Z = -0.651$ ,  $p = .515$ ). Upward communication frequency of franchisees was not significantly different in organizations that had upward electronic communication channels versus those that did not have upward electronic communication channels. See Table 8 for means, standard deviations, mean ranks, and test statistics.

**Table 8. Upward Communication Frequency by Upward Channel Existence**

Upward electronic communication capability?	N	Mean	Standard Deviation	Mean Rank	Sum of Ranks	Z	p
Yes	77	4.65	4.70	47.82	3682.50	-0.651	.515
No	16	3.08	1.89	43.03	688.50		
Total	93						

The Wilcoxon (W) test indicated that Hypothesis 1c was supported ( $W = 807.50$ ,  $Z = -2.313$ ,  $p = .021$ ). Lateral communication frequency of franchisees was greater in organizations that had lateral electronic communication channels versus those that did not have lateral electronic communication channels. See Table 9 for means, standard deviations, mean ranks, and test statistics.

Because of our interest in intranet/extranet systems and the pervasiveness of e-mail use in the franchise community, we decided to also test these hypotheses using a dichotomous variable that indicated whether or not the franchisor provided an intranet or extranet system, based on the franchisee's perception. Homogeneity of variance test results for all three dependent variables and this independent variable can be found in



Table 10. The equal variance assumption was valid only for upward communication frequency.

**Table 9. Lateral Communication Frequency by Lateral Channel Existence**

Lateral electronic communication capability?	N	Mean	Standard Deviation	Mean Rank	Sum of Ranks	Z	p
Yes	68	18.47	46.91	49.68	3378.50	-2.313	.021
No	23	2.02	2.43	35.11	807.50		
Total	91						

**Table 10. Homogeneity of Variance Test Results: Groups Based on ZorNet Existence**

Communication Frequency	Levene Statistic	Df1	Df2	Sig.
Downward	4.64	1	87	0.034
Upward	0.25	1	88	0.616
Lateral	21.95	1	88	0.000

Communication frequency means are shown in Table 11. The findings were the same using this independent variable as using the channel existence variables described earlier. An ANOVA test showed that H1b (upward) was not supported ( $F = .013$ ,  $p = .908$ ). Nonparametric tests showed that H1a (downward) and H1c (lateral) were supported. Rank means and test statistics are shown in Table 12.

**Table 11. Communication Frequencies by Channel Direction**

Communication Direction	ZorNet?	N	Mean	Std. Deviation
Downward	Yes	47	6.17	9.56
	No	42	3.12	2.82
Upward	Yes	49	4.46	4.44
	No	41	4.35	4.53
Lateral	Yes	49	24.43	54.20
	No	41	2.57	2.92

**Table 12. Downward and Lateral Communication Frequencies by ZorNet Existence**

Direction	ZorNet?	N	Mean Rank	Sum of Ranks	Wilcoxon	Z	p
Downward	Yes	47	50.30	2364	1641	-2.06	0.040
	No	42	39.07	1641			
Lateral	Yes	49	51.53	2525	1570	-2.42	0.016
	No	41	38.29	1570			

**Research Question 2.** The second research question was: Does the use of electronic channels affect strategic outcomes, specifically innovation, franchisee satisfaction, and franchisee compliance? The hypotheses are:

**H2:** Franchisees who are members of franchise organizations that sponsor lateral communications will:

- a. Perceive that the franchisor is innovating at a faster rate.
- b. Have higher rates of compliance with franchisor directives (i.e., higher rates of adoption of innovations).
- c. Have greater satisfaction.

**H2:** The frequency of franchisee participation in franchisor-sponsored lateral communications will be positively related to:

- d. The perceived pace of franchisor innovation.
- e. Franchisee compliance.
- f. Franchisee satisfaction.

Hypotheses 2a and 2d were not tested statistically. The remaining hypotheses were tested using PLS, which entails validation of a measurement model and evaluation of a structural model.

**Measurement Model.** For inclusion in the full model, the survey items associated with latent variables (LVs) were selected on the basis of a factor analysis, from which five interpretable factors resulted. Loadings can be found in Table 14. The factors represent the following constructs:

- Factor 1: relationship quality
- Factor 2: franchisee satisfaction
- Factor 3: compliance related to product directives
- Factor 4: organizational identification
- Factor 5: compliance related to non-product directives

Any LV items from the survey that cross loaded or appeared on uninterpretable factors were not included in the full model, with two exceptions. Two items originally

intended as franchisee satisfaction indicators (see bold-faced items in Table 14) did load higher on the relationship quality construct instead of the satisfaction construct. These two items are related to competence of the franchisor, which has been described as a determinant of franchisor-franchisee relationship quality (Dant et al, 1995). Thus, it was believed that theoretical support existed for leaving those two items in the model as indicators of relationship quality.

The individual item loadings for the full model can be found in Table 15. Three of the loadings were below 0.50, so they were dropped from the model. (These items were all related to the organizational identification construct.) The individual item loadings for the reduced model can also be found in Table 15. All of the loadings are above 0.50 with at least one item per construct above .70, which supports the validity of the measurement model. In addition, the average variance extracted (AVE) for the organizational identification construct in the reduced model improved over that of the full model. AVEs for all latent constructs for each model are shown in Table 13.

**Table 13. Average Variance Extracted by Construct  
for Full and Reduced Measurement Models**

<b>Latent Construct</b>	<b>Full Model</b>	<b>Reduced Model</b>
<b>Relationship Quality</b>	<b>0.5896</b>	<b>0.5896</b>
<b>Franchisee Satisfaction</b>	<b>0.5372</b>	<b>0.5372</b>
<b>Product-related Compliance</b>	<b>0.7814</b>	<b>0.7814</b>
<b>Organizational Identification</b>	<b>0.1731</b>	<b>0.7774</b>
<b>Non-product-related compliance</b>	<b>0.6163</b>	<b>0.6163</b>

Discriminant validity is established when items load higher on their intended constructs than on any other construct in the model (Chin, 1998), and when AVE for each construct is above 0.50. Discriminant validity is also demonstrated when the square root of the AVE for a construct is greater than the correlations between that construct and the other constructs in the model. The correlation matrix can be found in

**Table 14. Factor Loadings**

Item	Component				
	1	2	3	4	5
Both the franchisor and I work hard at cultivating a good working relationship.	0.840	0.000	0.000	0.206	0.000
My franchisor and I are very conscientious, responsive, and resourceful in maintaining a cooperative relationship.	0.838	0.153	0.000	0.180	0.000
My franchisor and I are committed to the preservation of a good working relationship.	0.822	0.223	0.000	0.000	-0.123
Both my franchisor and I think it is important to continue our relationship.	0.785	0.240	0.000	0.000	0.000
The franchisor and I have well-formed expectations of each other which go beyond buying and selling of products and services.	0.784	0.127	0.000	0.185	0.000
I expect my relationship with the franchisor to last a long time.	0.743	0.321	0.000	0.000	0.000
Both my franchisor and I consider the preservation of our relationship to be important.	0.714	0.118	0.000	0.173	0.158
Both the franchisor and I are generally able to resolve disagreements to both parties' satisfaction.	0.688	0.000	-0.288	0.162	0.154
The high level of mutual trust between the franchisor and me enables us to settle our disagreements to everyone's satisfaction.	0.640	0.000	-0.176	0.000	0.144
As a franchisee, I am satisfied with the way the franchisor handles its franchisees.	0.620	0.000	0.000	0.000	0.105
As a franchisee, I am satisfied with the competence of the franchisor in making decisions.	0.611	0.122	0.000	0.000	0.000
Both parties try to resolve disagreements that arise between us in good faith.	0.584	0.000	0.000	0.000	0.379
As a franchisee, I am satisfied with the chance to do something that makes use of my abilities.	0.000	0.794	0.000	0.000	0.280
As a franchisee, I am satisfied with the feeling of accomplishment I get from the job.	0.203	0.770	0.000	0.206	0.000
As a franchisee, I am satisfied with the freedom to use my own judgment.	0.348	0.768	0.000	0.117	0.000
As a franchisee, I am satisfied with the working conditions.	0.355	0.635	0.000	0.212	-0.124
As a franchisee, I am satisfied with the chances for advancement as a franchisee.	0.318	0.558	0.000	0.000	0.000
As a franchisee, I am satisfied with the chance to do different things from time to time.	0.305	0.556	-0.148	0.000	0.000
As a franchisee, I am satisfied with the praise I get for doing a good job.	0.000	0.540	0.000	0.175	0.351
When the franchisor introduces a new product line (e.g., bottled beverage line), I add the new product line to my menu.	0.000	0.000	0.897	0.000	-0.148
When the franchisor introduces a new product (e.g., sandwich), I add the new product to my menu.	-0.170	0.000	0.849	0.000	-0.229
When the franchisor introduces a new operational procedure (e.g., change in recipe), I implement the new procedure.	-0.122	0.204	0.719	0.000	-0.110
I implement product/product line/service innovations that are not approved by the franchisor (reverse coded).	0.192	0.150	-0.609	0.000	-0.100
When someone praises the franchisor, it feels like a personal compliment.	0.000	0.228	0.000	0.757	0.117
The franchisor's successes are my successes.	0.167	0.128	0.000	0.723	0.000
When I talk about the franchisor, I usually say "we" rather than "they."	0.285	0.146	0.000	0.705	0.000
When someone criticizes the franchisor, it feels like a personal insult.	0.261	0.000	-0.128	0.668	0.253
I am very interested in what others think about the franchisor.	0.249	0.000	-0.150	0.574	0.236
When the franchisor introduces new technology (e.g., computerized point-of-sale system), I implement the new technology.	0.000	-0.172	0.141	-0.135	-0.773
When the franchisor introduces new equipment (e.g., stove, refrigerated case), I buy the new equipment.	-0.142	0.000	0.372	0.000	-0.674
When the franchisor introduces a new marketing process (e.g., promotional program or radio advertising), I implement the new marketing process.	0.000	0.000	0.331	0.000	-0.566

**Table 15. Individual Item Loadings and Weights: Measurement Models**

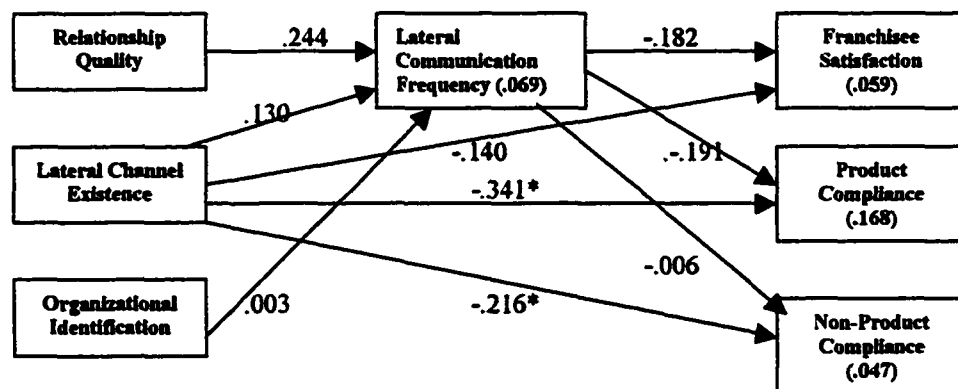
Construct	Item	Full Model		Reduced Model	
		Loadings	Weights	Loadings	Weights
Relationship Quality	Both the franchisor and I work hard at cultivating a good working relationship.	0.8292	0.1392	0.8292	0.1392
	My franchisor and I are very conscientious, responsive, and resourceful in maintaining a cooperative relationship.	0.8919	0.1424	0.8919	0.1424
	My franchisor and I are committed to the preservation of a good working relationship.	0.6053	-0.0870	0.6053	-0.0870
	Both my franchisor and I think it is important to continue our relationship.	0.7763	0.1518	0.7763	0.1518
	The franchisor and I have well-formed expectations of each other which go beyond buying and selling of products and services.	0.5876	-0.1084	0.5876	-0.1084
	I expect my relationship with the franchisor to last a long time.	0.6364	-0.0107	0.6364	-0.0107
	Both my franchisor and I consider the preservation of our relationship to be important.	0.8734	0.2215	0.8734	0.2215
	Both the franchisor and I are generally able to resolve disagreements to both parties' satisfaction.	0.8230	0.1633	0.8230	0.1633
	The high level of mutual trust between the franchisor and me enables us to settle our disagreements to everyone's satisfaction.	0.8515	0.1837	0.8515	0.1837
	As a franchisee, I am satisfied with the way the franchisor handles its franchisees.	0.7225	0.1147	0.7225	0.1147
	As a franchisee, I am satisfied with the competence of the franchisor in making decisions.	0.7428	0.1304	0.7428	0.1304
	Both parties try to resolve disagreements that arise between us in good faith.	0.7961	0.1250	0.7961	0.1250
Franchisee Satisfaction	As a franchisee, I am satisfied with the chance to do something that makes use of my abilities.	0.7860	0.1461	0.7860	0.1461
	As a franchisee, I am satisfied with the feeling of accomplishment I get from the job.	0.7967	0.7126	0.7967	0.7126
	As a franchisee, I am satisfied with the freedom to use my own judgment.	0.8256	0.2713	0.8256	0.2713
	As a franchisee, I am satisfied with the working conditions.	0.7003	0.1723	0.7003	0.1723
	As a franchisee, I am satisfied with the chances for advancement as a franchisee.	0.6351	0.1122	0.6351	0.1122
	As a franchisee, I am satisfied with the chance to do different things from time to time.	0.5407	-0.0023	0.5407	-0.0023
	As a franchisee, I am satisfied with the praise I get for doing a good job.	0.8002	0.4161	0.8002	0.4161
Product Compliance	When the franchisor introduces a new product line (e.g., bottled beverage line), I add the new product line to my menu.	0.9303	0.4115	0.9303	0.4115
	When the franchisor introduces a new product (e.g., sandwich), I add the new product to my menu.	0.9355	0.4729	0.9355	0.4729
	When the franchisor introduces a new operational procedure (e.g., change in recipe), I implement the new procedure.	0.7768	0.2250	0.7768	0.2250
Organizational Identification	When someone praises the franchisor, it feels like a personal compliment.	-0.5589	-0.1648	0.7538	0.1563
	The franchisor's successes are my successes.	-0.2258	-0.4132	dropped	
	When I talk about the franchisor, I usually say "we" rather than "they."	0.1730	0.6594	dropped	
	When someone criticizes the franchisor, it feels like a personal insult.	-0.6722	-0.9369	0.9933	0.8882
	I am very interested in what others think about the franchisor.	0.1425	0.4978	dropped	
Non-Product Compliance	When the franchisor introduces new technology (e.g., computerized point-of-sale system), I implement the new technology.	0.7742	0.2843	0.7742	0.2843
	When the franchisor introduces new equipment (e.g., stove, refrigerated case), I buy the new equipment.	0.9256	0.6717	0.9256	0.6717
	When the franchisor introduces a new marketing process (e.g., promotional program or radio advertising), I implement the new marketing process.	0.6267	0.2538	0.6267	0.2538

**Table 16. Internal Composite Reliabilities and Correlation of Latent Constructs**

Construct	ICR	Correlation of Latent Constructs <sup>7</sup>				
		RQ	Sat	PC	OI	NPC
Relationship Quality (RQ)	.790	.768				
Franchisee Satisfaction (Sat)	.711	.396	.732			
Product Compliance (PC)	.942	-.269	.092	.884		
Organizational Identification (OI)	.948	.397	.255	-.188	.882	
Non-product Compliance (NPC)	.803	-.289	-.191	.513	-.306	.785

Table 16. All three of these conditions held; thus the measurement model demonstrates discriminant validity of the constructs. The items are also reliable measures of the constructs. Internal composite reliabilities (ICR), shown in Table 16, are all above .70.

**Structural Model.** The structural model, shown in Figure 4, was assessed by evaluating the path coefficients. None of the hypotheses (H2b, H2c, H2e, H2f) were supported. However, two of the path coefficients were statistically significant, though the relationship is opposite from those hypothesized. The first path was from lateral communication channel existence to product compliance ( $\beta = -0.216$ ,  $t = -1.6216$ ,  $df = 86$ ,  $p < 0.05$ ), and the second was from lateral communication channel existence to non-product compliance ( $\beta = -0.341$ ,  $t = -2.306$ ,  $df = 86$ ,  $p < 0.025$ ).



**Figure 4. Structural Model**

\* indicate significant paths. Figures in parentheses indicate variance explained ( $R^2$ ).

<sup>7</sup> Diagonal elements in the correlation matrix are the square roots of the average variance extracted.

**Research Question 3.** The third research question was: How does the nature of the franchisor-franchisee relationship affect communication frequency and channel use?

The hypotheses are:

**H3: Franchisor-franchisee relationship quality:**

- a. The higher the quality of the franchisor-franchisee relationship, the more frequent upward communication will be.
- b. If a franchisor-sponsored lateral electronic communication channel exists, the higher the quality of the franchisor-franchisee relationship, the more frequent lateral communication will be on that channel.
- c. If a non-franchisor-sponsored lateral electronic communication channel exists, the poorer the quality of the franchisor-franchisee relationship, the more frequent lateral communication will be on that channel.

**H3: Franchisee organizational identification:**

- d. The stronger the franchisee's identification with the franchise organization, the more frequent upward communication will be.
- e. If a franchisor-sponsored lateral electronic communication channel exists, the stronger the franchisee's identification with the franchise organization, the more frequent lateral communication will be on that channel.
- f. If a non-franchisor-sponsored lateral electronic communication channel exists, the weaker the franchisee's identification with the franchise organization, the more frequent lateral communication will be on that channel.

Hypotheses 3b and 3e were tested as part of the model used to test the hypotheses for the second research question. These hypotheses were not supported. Hypotheses 3c and 3f were not tested since non-franchisor-sponsored lateral electronic communication channels were not encountered among the franchisees participating in the study. Hypotheses 3a and 3d were tested using a separate PLS model, which is now presented.

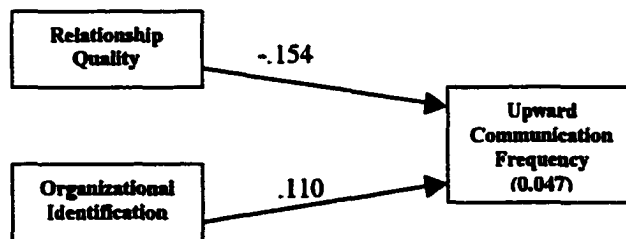
**Measurement Model.** The indicators for relationship quality and organizational identification used in the previous model were also used in this model. Individual items loadings, which were all above 0.70, are shown in Table 17. The AVEs and ICRs for relationship quality and organizational identification are also shown in Table 17. All

were above the recommended guidelines for demonstrating discriminant validity and reliability.

**Table 17. Measurement Model for Testing H3a and H3d:  
Loadings, AVEs, and ICRs**

Construct	Item	Measurement Model		AVE	ICR
		Loadings	Weights		
Relationship Quality	Both the franchisor and I work hard at cultivating a good working relationship.	0.8453	0.0325	0.6328	0.7640
	My franchisor and I are very conscientious, responsive, and resourceful in maintaining a cooperative relationship.	0.9018	0.0841		
	My franchisor and I consider the preservation of our relationship to be important.	0.8418	0.1209		
	Both my franchisor and I think it is important to continue our relationship.	0.8385	0.1244		
	The franchisor and I have well-formed expectations of each other which go beyond buying and selling of products and services.	0.7897	0.1846		
	I expect my relationship with the franchisor to last a long time.	0.7938	0.1644		
	Both my franchisor and I consider the preservation of our relationship to be important.	0.8418	0.1209		
	Both the franchisor and I are generally able to resolve disagreements to both parties' satisfaction.	0.7778	0.0912		
	The high level of mutual trust between the franchisor and me enables us to settle our disagreements to everyone's satisfaction.	0.7819	0.0805		
	As a franchisee, I am satisfied with the way the franchisor handles its franchisees.	0.7240	0.1034		
	As a franchisee, I am satisfied with the competence of the franchisor in making decisions.	0.7384	0.1353		
	Both parties try to resolve disagreements that arise between us in good faith.	0.7106	0.0718		
Organizational Identification	When someone praises the franchisor, it feels like a personal compliment.	-0.9398	-0.6290	0.8333	0.9680
	When someone criticizes the franchisor, it feels like a personal insult.	-0.8851	-0.4620		

**Structural Model.** The structural model, shown in Figure 5, was assessed by evaluating the path coefficients. Neither H3a nor H3d were supported. Relationship quality and organizational identification did not appear to affect upward communication frequency. We turn now to a presentation of the qualitative results.



**Figure 5. Second Structural Model**

Figure in parentheses indicates variance explained ( $R^2$ ).



*What is there that confers the noblest delight?  
What is that which swells a man's breast with pride  
above that which any other experience can bring to him?  
Discovery!  
– Mark Twain*

## **QUALITATIVE RESULTS**

In this chapter, the findings from the interview data are presented. We begin with a description of the franchisor respondents and a summary of the characteristics of the interviews, such as interview length and location. Next, we present similar information on the franchisee respondents and their interviews. This is followed by discussions on organizational communications in the three directions, downward, upward, and lateral, and franchisor-franchisee relationship quality. Findings related to franchisor perceptions of the impact of the ZorNet systems on franchisee communications are presented next. The chapter concludes with results related to the strategic outcome variables, organizational innovation, franchisee satisfaction, and franchisee compliance.

### **Franchisor Respondents**

The research design called for two individuals from the franchisor management team of each participating organization to be interviewed. In seven of the organizations, two interviews were conducted. In one, three interviews were conducted, because one of the respondents felt unqualified to answer the questions about the technology in place in the organization. She referred me to another individual who was a more knowledgeable respondent. In another organization, only one interview was conducted because the primary contact left that organization in the middle of the study. Without his support, additional respondents were not available. Thus, a total of

eighteen interviews were completed, all over the telephone. All interviews were tape-recorded.

The length of the interviews averaged 20 minutes, with the longest interview being 42 minutes and the shortest being 11 minutes. The median interview length was 17.5 minutes. Overall, interviewees from organizations with communication technology in place spent more time responding than interviewees from organizations without communication technology in place. Since some of the interview questions focused on intranet/extranets in particular, some questions were not asked of interviewees in the non-technology group thus explaining the difference in the length of the interviews.

Five interviewees were responsible for franchise development (i.e., sale of new franchises). Another five were in charge of operations. Two individuals were chief financial officers, and two others were involved in franchisee training. One respondent was the president of the company (though not the founder), and the remaining three were involved in a variety of marketing activities, namely public relations, promotion, and research and development.

The average length of tenure with the organization was 6.2 years, with the median being 5.5 years. The longest tenure was 18 years, and the shortest was 7 months. All individuals were located at the franchise organization's headquarters, except for the one respondent from the organization in which a particular region was studied as opposed to the entire organization. Respondents were geographically dispersed; demographic information about the interviews is summarized in Table 18.

**Table 18. Franchisor Interviews**

<b>Interviewee Location</b>	<b>Job Area</b>	<b>Date of Interview</b>	<b>Interview Length (in minutes)</b>
Northwest	Training	July 31, 2000	36
Northwest	Financial Officer	August 2, 2000	33
Midwest	Operations	August 8, 2000	14
Midwest	Public Relations	August 15, 2000	13
Midwest	Research and Development	August 24, 2000	20
South	President	August 28, 2000	18
South	Operations	August 8, 2000	12
Midwest	Franchise Development	August 15, 2000	17
Midwest	Operations	August 30, 2000	17
South	Franchise Development	August 23, 2000	12
South	Training	September 12, 2000	11
Northeast	Franchise Development	August 8, 2000	21
Southwest	Chief Financial Officer	August 31, 2000	12
Southwest	Franchise Development	September 6, 2000	11
Southeast	Operations	October 5, 2000	30
Southeast	Franchise Development	October 6, 2000	22
Southeast	Marketing	October 25, 2000	42
Southeast	Operations	November 15, 2000	18

### **Franchisee Respondents**

The research design specified that two franchisees from each participating organization be interviewed. Permission to interview franchisees from Organization 7 was withdrawn prior to completion of those interviews. In one organization, three franchisees were interviewed. This particular organization was a non-technology organization that was testing an intranet/extranet system. One of the franchisees interviewed knew one of the franchisees that was involved in the testing, so a third interview, limited to questions about the system test, was conducted.

For organization 6, the same organization in which only one franchisor management team member was interviewed, only one of twelve franchisees contacted agreed to talk to the researcher. Another scheduled an interview, but on the advice of

her attorney, declined to participate since she was involved in litigation with the franchisor. Most were simply not interested in participating.

Two respondents were interviewed from each of the remaining organizations. Of the franchisees contacted, only two declined to be interviewed, both due to time constraints. A total of sixteen franchisee interviews were conducted, eight face-to-face and eight over the telephone. Thirteen interviews were tape-recorded; the other three were transcribed from handwritten notes. In one instance, the restaurant had no indoor seating area, making it necessary to conduct the interview outdoors, where there was no electrical power available for the tape recorder. In another case, the interview was conducted off premises at a neighboring coffee shop, where electrical power was also unavailable. In the last case, the owner was involved in making sandwiches for a special order, so the interview was conducted in the restaurant's noisy kitchen, which also precluded use of a tape recorder.

The length of the interviews averaged 43 minutes, with the longest interview being 73 minutes and the shortest being 12 minutes. The median interview length was 38 minutes.

The average length of franchisee tenure with the organization was 6.4 years, with the median being 6 years. The longest tenure was 22 years, and the shortest was 1 year. Twelve respondents owned one or two stores; three respondents owned four or five units; one owned twenty. Half of the respondents planned to expand their operations by adding additional stores within the next year or two. Respondents were geographically dispersed; demographic information about the franchisee interviews is summarized in Table 19.

**Table 19. Franchisee Interviews**

<b>Interviewee Location</b>	<b>Date of Interview</b>	<b>Interview Length (in minutes)</b>
Midwest	September 22, 2000	73
Midwest	September 23, 2000	71
Midwest	September 20, 2000	36
Midwest	September 25, 2000	60
Southeast	October 25, 2000	29
South	November 4, 2000	60
Southeast	November 7, 2000	12
Midwest	September 20, 2000	35
Midwest	November 21, 2000	20
Southeast	November 8, 2000	70
Great Plains	November 20, 2000	30
Northeast	November 21, 2000	15
Southeast	November 20, 2000	40
South	November 29, 2000	38
Southeast	November 8, 2000	57
South	December 19, 2000	12

## **Organizational Classification**

In this chapter, some comparisons are made between technology organizations and non-technology organizations. Two of the eight organizations, 1 and 9, clearly have ZorNets in place, so these two are classified as technology organizations, and will be referred to collectively as such. Organization 8 had downward and upward channels available to most franchisees, so this organization will be referred to as a partial technology organization. The other organizations are classified and referred to as non-technology organizations. For ease of exposition, we will refer to the technology organizations individually as T1, T9, and PT8. Likewise, we will refer to the non-technology organizations individually as NT2 through NT8.

## **Organizational Communication**

In this section, communication patterns in the organizations are characterized. Interview data from both the franchisors and franchisees is assimilated in this discussion. Communication patterns in each direction are discussed separately.

### **Downward Communication**

In the franchisee interviews, specific questions were asked to determine directionality of communication. However, in the franchisor interviews, downward and upward communications were often grouped together, and were not always easy to distinguish from each other. The franchisor indicated how often and how contact was made with the franchisee. One distinguishing characteristic of the communication that became apparent, though, was whether the communication was scheduled or impromptu. Scheduled system-wide communication -- i.e., correspondence that is distributed to (or intended for, in the case of electronic postings) all franchisees -- is downward. Most other contact, except for regular mail correspondence, was initiated on an as needed basis by the franchisee, or in other words, is upward communication. Thus, downward and upward communication will be discussed from these perspectives.

All of the participating franchise organizations communicate with franchisees system-wide at least monthly. Most (5 of 9) distribute or post correspondence weekly. Franchisors correspond with franchisees about a variety of issues, primarily operational modifications, product offerings, and promotional programs. They also disseminate information about new store openings, personnel changes at the corporate office, and strategic direction.

The primary media used for this communication does differ by technology group. Non-technology organizations use regular mail to correspond with franchisees, whereas technology and partial technology organizations post electronic newsletters. However, T1 also sends a monthly newsletter via regular mail and PT8 sends its weekly newsletter via fax; both are trying to accommodate those franchisees without Internet access. Only T9 corresponds exclusively using its intranet/extranet system.

Scheduled face-to-face meetings, another form of downward communication, are not frequent with the exception of quality control audits. T1 reports trying to visit all of its franchisees once per year. NT4 reports that the frequency of face-to-face meetings depends on the franchisee's tenure with the organization, with newer franchisees being visited more often by franchisor personnel than older ones. Frequency of planned meetings appeared to be independent of technology.

Other face-to-face interaction with franchisees occurs during annual owners' conferences and meetings of franchise advisory boards. Eight of the nine organizations reported having an annual owners' conference or convention. These meetings also offer an opportunity for franchisees to interact with one another, which will be discussed further in the section on lateral communications.

Franchise advisory boards provide another forum for contact with the franchisor. The boards are comprised of either elected or franchisor-appointed franchisees that meet with franchisor personnel to discuss key issues in the franchise community. Marketing and product strategy are the primary topics of discussion. In the six participating organizations that reported the existence of these boards, the number of franchisees serving in an advisory capacity ranged from five to nine. The number

serving did not appear to be related to organization size. Most of these boards meet face-to-face quarterly; NT3 holds bimonthly meetings via telephone conference call. All of the organizations indicated that these meetings are initiated by the franchisor.

In addition to system-wide mailings such as newsletters, franchisors sometimes send regular mail to individual franchisees when necessary, usually when written communication is required by law, or is deemed a necessity by legal counsel. For instance, a franchisor will send new franchise contracts or notices about royalty payments being in arrears via regular mail. This practice is consistent across technology and non-technology organizations.

### **Upward Communication**

Most upward communication in both technology and non-technology organizations is conducted by telephone. Only one franchisee indicated that e-mail was his primary communication medium; his preference for e-mail over telephone stemmed from his dislike of the automated voice mail system in his organization. Two franchisees stated that they very rarely initiated communication to the franchisor because they had managers that handled the day-to-day operations for them. The only other franchisee that indicated upward communication frequency of less than once a month did not contact the franchisor because he believed that they would not respond to him. He stated, "You can leave messages in people's voice mailbox, and you're lucky if they call you back . . . These people are just unavailable to us."

Upward communication frequency for the remaining franchisees ranged from daily to monthly. As shown in the survey results, frequency did not appear to be related to technology or relationship quality.



The franchisor respondents corroborated the predominant use of the telephone in communicating with franchisees. For most franchisor respondents (n=16), electronic mail outside of intranet/extranet systems is used less than the telephone. Only two respondents reported using e-mail more frequently than the telephone. Three respondents from two non-technology organizations reported that they never use e-mail to communicate with franchisees, while the two respondents from another non-technology organization reported that e-mail frequency is less than 5% of telephone communication frequency. Four respondents, two from a technology organization and two from a non-technology organization, indicated that e-mail was used one-third to one-half as much as the telephone. In non-technology organizations, the accessibility of franchisees via e-mail is limited (less than 50%), so e-mail is not a viable option.

A franchisor representative from PT8 indicated that he does not like to use e-mail because franchising is “a very litigious business” and e-mail provides an easy way to “copy to the world.” His e-mail usage was about 6% of his telephone usage, but the other respondent in this same organization uses e-mail more than the telephone. In T9, the representative discourages the use of e-mail outside the intranet/extranet system so that all correspondence will be available through the system. Both members of this organization use e-mail 10% or less frequently than they use the telephone.

In most cases, franchisees contacted the franchisor for guidance or answers to specific questions. These questions were related to marketing; product concerns, such as recipes or distribution of ingredients; personnel issues, such as labor law questions or hiring; or operational issues, such as equipment purchase advice. Only one franchisee, a member of NT5, indicated that he contacts the franchisor to give them product or

marketing suggestions. The responses to the open-ended survey question about communication with the franchisor mirrored the interview responses, with a few additions. Franchisees would also contact the franchisor to purchase product, to find out how stores were performing system-wide in terms of sales revenue, to inquire about strategic direction, and to inquire about group purchasing. Several said they contacted the franchisor to make suggestions, but the vast majority did not.

### **Lateral Communication**

Ostensibly, franchisees could operate their businesses without ever talking to another franchisee, but many franchisees do talk to one another. Over 60% of the survey respondents indicated that they communicate with at least one franchisee once in a typical week. The reasons why they do are varied. The top five topics of lateral communication among survey respondents are product, marketing, sales, operations, and requests to borrow supplies. Product-related communications concern new product lines, menu changes, recipe exchanges, product quality, and product availability from distributors. Marketing conversations are related to the exchange of ideas about promotion, and planning for or evaluating effectiveness of cooperative advertising. Lateral communications about sales are primarily related to performance. In other words, franchisees want to know how well their store(s) is(are) doing in relationship to other stores. If sales are down, they want to know if the cause was related to their particular store or to the general business climate. Operational issues discussed include personnel, equipment, computer or cash register purchases, and store design. Requests to borrow supplies are made when a franchisee calls another franchisee to borrow product ingredients or other supplies (such as napkins or cups).

A classification of comments by organization indicated that topics of lateral communication did not appear to vary by organization. The topic list was corroborated by the interview respondents, who indicated that most communication with other franchisees was done by telephone, regardless of organizational technology group. E-mail was used some, but much less often. For example, one respondent indicated speaking to franchisees “many times a week” by telephone, but only once every two to three weeks by e-mail. A couple of franchisees reported using e-mail to contact franchisees that were further away from them geographically.

One survey respondent from a technology organization reported that he/she did not communicate with other franchisees frequently, but that he/she “just watch[es] them for ideas and thoughts.” This organization has active discussion forums, so this franchisee may be a lurker on the ZorNet.

In that same organization, another survey respondent said that they “give a lot of advice to newer folks,” because “it’s fun and we are all part of a learning community!” perhaps indicating an altruistic motive for lateral communication.

Franchisees also communicate with each other at annual conventions or conferences. One franchisee reported, “I hardly ever communicate with other franchisees unless at a convention.” Others that do communicate with other franchisees on a more regular basis said that the highlight of the convention is the opportunity to interact with other franchisees. “It’s an opportunity for franchisees to get to know each other and share information.” Franchisees attending conferences reportedly discuss the same topics as were presented earlier in this section. If a convention is held by the franchise organization, all of the interview respondents

reported that they attend at least biannually, with about half reporting that they always attend.

Franchise advisory boards provide another avenue for communication. Two interview respondents serve on boards for their organizations. A few other franchisees that were interviewed report contacting their franchise advisory board members to discuss operational or marketing issues or to complain about franchisor directives. However, although most knew that the franchise advisory boards existed, they did not have any contact with them. One said, “nothing has been overly stressful for me, so there’s really not been a reason for me to give them a call.” Another said, “any issues that we really have pretty much [go] through our business consultant [primary franchise contact].”

A couple of the franchise advisory boards are brand new with only one or two quarterly meetings having been held, so franchisees in those organizations did not have any perception of the effectiveness of the boards. Another board was reported by one respondent from the organization to be inactive; the other respondent from that same organization reported that the board was ineffective. He viewed the purpose of the board as being a communication tool for the franchisees that could be used to share information, particularly about marketing and promotion. He believed that lateral communication could help disseminate success and failure stories so that the organization as a whole could be more effective, learning from the past.

Now that communications have been characterized, we present a discussion of franchisor-franchisee relationship quality, first from the franchisor perspective and then from the franchisee point of view.

## Franchisor-Franchisee Relationship Quality

In the interviews, franchisors were asked to assess their relationship with the franchisees in general on a seven-point scale (1=good; 7=poor). All but one respondent indicated that they perceive their relationship with the franchisees to be at least neutral, with 7 of the 9 organizations reporting ratings above a 3. Average relationship quality ratings are shown in Table 20. All of the franchisor respondents from the same organization reported relationship quality to be within one point of their fellow employee's response.

**Table 20. Average Franchisee Relationship Quality Reported by Franchisor Respondents**

<b>Organization</b>	<b>Average Franchisor Ranking (1=good; 7=poor)</b>	<b>Average Franchisee Ranking (1=good; 7=poor)</b>
1	2.75	2.00
2	1.50	1.00
3	2.50	3.25
4	1.25	3.00
5	1.00	1.75
6	5.00	7.00
7	1.50	N/A
8	3.00	2.00
9	3.25	1.50

Franchisees that were interviewed also perceived their relationship with the franchisor to be good; all but two respondents reported relationship quality to ranked one, two, or three, with half reporting a 1 or a 2. One of the remaining respondents ranked the relationship at a 3.5. The other perceived the relationship to be very poor (7); incidentally, this individual was a member of the organization in which the franchisor representative indicated that the relationship was somewhat poor system-wide.

It appeared that relationship quality was dependent on the franchisor's responsiveness to franchisee questions or problems. When asked why he ranked the relationship quality the way he did, one franchisee replied, "I haven't had any problems really to deal with." Another with a very good relationship indicated that "there's never been a problem." He did add that at one time there was a disagreement about the number of fryers to include in a new store. The franchisor let the franchisee put in more fryers than the new store specifications called for, and based upon the results at the store, all new stores now have that number of fryers. He said, "so they do listen." This is an example of franchisor responsiveness.

The franchisee that ranked relationship quality as a 3.5 reported that the problems with his relationship stem from "a lack of marketing support provided by the franchise, and a real lack in directional focus." He also stated that he did not feel like he had a voice in decisions that the organization makes about operations. "I think they hear me out, but I don't think I've made any impact on the system." The franchisee that perceived the relationship to be very poor stated that "it's very difficult to resolve any problems with the franchisor."

Since the vast majority of the relationships reported were good or very good, it was not possible to tease out differences between technology and non-technology organizations. The survey data also indicated that over 80% of the respondents' relationships with the franchisor were classified as either very good or good (1 or 2 on a five-point scale).

In the next section, we present the franchisors' perceptions of the impact of ZorNets on franchisee communications.

## **Impact of ZorNets on Franchisees**

The franchisor respondents were asked a series of questions about their perceptions of the impact of the ZorNet systems on communications with the franchisees. Only three organizations reported having such systems, so only six responses (two per organization) to these questions were received. Based on Doll and Torkzadeh's (1988) user information satisfaction (UIS) scale, all of these respondents were satisfied with the intranet/extranet systems. (The average of all UIS items ranged from 5.27 to 6.27 on a 7-point scale; see Appendix A for items).

The questions included scale items (see Appendix A, questions 17, 18, and 19) and an open-ended item asking for comments on the impact of the systems on the franchisees. Averages and standard deviations for each of the scale items are reported in Table 21; these indicate that the responses were fairly similar.

The general perception was that there was not much change in communication with the franchisees, nor was there much change in product or procedure implementation, with the following exceptions. Personnel from two of the organizations indicated that the franchisees do provide more feedback about their operations, while the third saw no change. In addition, some improvement in relationship quality with the franchisees was perceived, although the respondents felt that the change in relationship quality may have been a result of other factors. Apparently, implementation of an intranet/extranet system is a manifestation of an overall management strategy to improve communication efficiency and to build relationships with the franchisees.

**Table 21. Impact of ZorNets on Franchisee Communications**

<b>Question</b> (Scale: 1=more frequently, 5=less frequently)	<b>Mean</b>	<b>Standard Deviation</b>
Since the intranet has been implemented, in general, franchisees reply more quickly to requests for information.	2.50	.84
Since the intranet has been implemented, in general, franchisees submit timely reports.	3.08	.66
Since the intranet has been implemented, in general, franchisees give feedback about their operations.	2.17	1.17
Since the intranet has been implemented, in general, franchisees communicate by telephone with franchisor personnel.	2.50	.84
Since the intranet has been implemented, in general, franchisees meet in person with franchisor personnel.	2.50	.84
Since the intranet has been implemented, in general, franchisees communicate with other franchisees.	2.50	1.05
Since the intranet has been implemented, when implementing new products or procedures, in general, franchisees do so more successfully.	2.50	.55
Since the intranet has been implemented, when implementing new products or procedures, in general, franchisees ask fewer questions.	2.80	.84
Since the intranet has been implemented, when implementing new products or procedures, in general, franchisees comply with franchisor directives.	2.80	.45
(Scale: 1=strongly agree; 5=strongly disagree) In general, franchisees have better relationships with the franchisor since the intranet/extranet has been implemented.	2.17	.75

One respondent indicated that lack of change in communication and product/procedure implementation had been a partial impetus for redoing the intranet/extranet system. Changes in communication and benefits related to product/procedure implementation were expected, but had not been realized, so that organization was revamping its Web site. Another respondent from a different organization believed that participation on the site was a factor. She thought that if franchisee participation could be increased from its current level of 55-60% up to 85-90%, that the system would have a greater impact.

Getting franchisees to use the system was a concern in two of the three organizations. Factors impeding use by the franchisees include inertia (or “laziness”), computer illiteracy, and lack of Internet access. Since franchisors rely on personnel to



conduct franchisee training on regular field visits, which in some instances occur only once a year, training on the systems was a “slow process.”

The “biggest golden nugget” of the intranet/extranet systems was the “shared learning experience,” made possible by the willingness of the franchisees to share information with others. This requires “discipline in the community,” basically making communication within the franchise community a natural part of the business.

One franchisor perceives its mission to be an information broker. In other words, they have ceased being the expert on operations or marketing, but are now “the expert on where to find the answers.”

From the franchisors’ perspective, information sharing is an expected outcome of an intranet/extranet system. Perhaps in these organizations, the organizational culture related to innovation offers an explanation for that expectation.

## **Organizational Innovation**

The interviews included Hurley and Hult’s (1998) scale for organizational innovation culture as well as an open-ended question on innovation. There was a significant difference ( $F=6.336$ ,  $p=.024$ ,  $n=17$ ) in perception of organizational innovation among the respondents from technology versus non-technology groups. The technology group perceived organizational innovation to be higher than the non-technology group.

The open-ended question indicated that there were a variety of reasons for differences in innovation. In some non-technology organizations, there is a feeling that innovation *per se* is not necessary. If the franchise system is and has been successful over a long period of time, there is no urgency to change, just for the sake of change.

The one thing for us is that our concept's working pretty good [*sic*] right now. Our sales are very strong, our growth is very strong . . . So there hasn't been this need sometimes, where in some organizations, [they] get themselves in a situation where they feel they have to jumpstart something, make a change. We've been more fighting, how do we hang on to the culture and the things that have made us successful in the past.

There is a tendency on the part of management to hang on to the more established traditional ways of doing things, corporately, and less willing[ness] to embrace all of the innovation that might be presented from the franchise perspective.

One non-technology franchise organization indicated that the organization was just so old and established that it could not innovate well or easily. In the non-technology organizations that were in the process of developing ZorNets, although there was no clear indication that innovation was a primary objective of the company, the respondents were eager to give examples of their company's innovations:

We have tried a new cooking method in the last six months. We've tried a new bun. We've tried and tested a completely new beef product . . . We have designed a completely new prototype of store, have looked at a new point-of-sale system . . .

This year is actually the year that we start doing a lot of innovation, from image of the restaurants to product to technology . . .

In the three technology organizations, respondents indicated that innovation was part of the mindset of the company, an active goal that the companies continually pursue:

[Innovation] is something that we really encourage and that's why we designed our whole system this way to link our franchisees together so that they can share ideas and we can innovate more quickly . . . Even having that as a main tenet of something we're trying to do, it still goes too slow. So anything we can do to encourage that . . .

We're in a business where we have to, to some degree, keep up with the neighbors. . . So innovation is something that is important to us.

**We are constantly looking at ways to be a more profitable and dynamic company, and so innovation is wholeheartedly and very healthily embraced, even the very idea of it.**

**In the technology group, where perceptions of stronger organizational innovation were held, the respondents also intimated verbally that innovation was a key focus. In the non-technology group, there was no such apparent guiding principle.**

**We now discuss the last two constructs representing strategic outcomes, franchisee satisfaction and franchisee compliance.**

### **Franchisee Satisfaction**

**The franchisees who were interviewed were asked an open-ended question about franchisee satisfaction. Most indicated that they were satisfied with being a franchisee, but the reasons sometimes had little to do with the franchisor. The primary driver of satisfaction is the degree of independence that the franchisee felt he/she had.**

**Franchisees reported that buying a franchise was a “lifestyle choice,” and that they enjoyed the autonomy of that lifestyle. They liked having a business that they were “more or less in control of.” One states, “If I’m successful, it’s me; if I fail, it’s all me . . . I like the independence.” Another says, “I’m extremely comfortable [with being a franchisee], because I choose my own path.”**

**Another driver of satisfaction appears to be intrinsic characteristics of the job. “I love what I do,” says one franchisee. Another says, “I like the work environment, I manage my own finances, and I get to develop people.”**

**Two respondents did tie satisfaction back to the franchisor. One was satisfied because “we have the best product in our category.” The other franchisee was**

appreciative of the franchisor teaching him about the restaurant business and states he would not have wanted to learn about it independently.

Dissatisfaction, though only reported by two respondents, was blamed on the franchisor. One expressed that the franchisor could provide better support, particularly marketing support, and that overall branding was lagging behind their competitors. The other complained about marketing decisions -- i.e., "these people think there's no need to advertise in the summer" -- and a recent significant price increase of the product sold to him by the franchisor. He also raised questions about the general competence of the franchisor.

### **Franchisee Compliance**

Franchisees were asked to assess their level of compliance with franchisor directives as a percentage. Not all respondents would answer the question directly, but all who would ranked their level of compliance at 85% or higher, with one exception. The respondent who also reported a poor relationship with the franchisor reported a 70% level of compliance. Most of the respondents, regardless of the percentage number reported, indicated that they try to comply with franchisor directives as best they can. One franchisee says they shoot for 100% compliance, but "if you go to a store, you're not going to be 100%, just because you rely on people to run the unit."

The participating organizations do have different expectations of their franchisees in terms of compliance. One organization only requires that the franchisees

buy ingredients from the specified suppliers and use the company logos correctly<sup>8</sup>; what products are offered is a decision left to the discretion of the individual store owner.

Other franchisors are stricter in that regard, requiring that certain products appear on the menu, but not specifying a supplier. Organizations vary also in the frequency of quality control audits.

Non-compliance can occur as a result of lack of faith in the franchisor. If a franchisee perceives that the franchisor lacks directional focus, he/she may ignore directives. One states, “in the past, we’ve rolled out products that caused our assembly line concept to really not help us in performing our mission . . . I’ve been very cautious in terms of what we rolled out to make sure that it matched our mission.” Another franchisee reports that he determines when to implement product offerings based upon food cost margins. If the franchisor rolls out a product with insufficient margin, the franchisee will not offer that product on his menu.

Levels of compliance, with most of them being about the same, did not appear to be related to technology group.

In the next chapter, we will discuss the findings from the survey and the interviews.

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<sup>8</sup> Using company logos correctly on promotional materials relates to adhering to specified proportions, such as the width of the logo always being a certain percentage of the height of the logo, and using proper coloration. Failure to use logos correctly could result in loss of trademark protection.

*Everything is complicated; if that were not so,  
life and poetry and everything else would be a bore.*  
– Wallace Stevens

## **DISCUSSION**

Chapters 5 and 6 present the results of the study. This chapter presents an interpretation of those findings, research contributions, implications for practice, a discussion of study limitations, and suggestions for future research.

### **Study Findings**

This section is divided into three sub-sections, which discuss the effects of electronic communication channels in franchise organizations with respect to: (1) communication frequency, (2) strategic outcomes, and (3) possible moderating effects of franchisor-franchisee relationship variables.

#### **Communication Frequency**

The management challenges faced by franchise organizations – specifically, uniformity, local responsiveness, and system-wide adaptation – demand communication effectiveness. Electronic communication channels are expected to improve effectiveness by improving coordination, reducing the information processing load, and expanding the capacity for information processing. Since electronic channels should be more effective, communication frequency was hypothesized to increase when electronic communication channels are available.

The survey results showed that franchisors with a downward electronic communication channel communicate more frequently with franchisees than franchisors without a downward electronic communication channel. However, franchisees with an

upward electronic communication channel did not communicate more frequently with their franchisors than franchisees without an upward electronic communication channel.

Downward communication frequency was expected to increase as a result of increased upward communication. It was expected that franchisors would communicate more frequently with franchisees, simply because they would have to respond to an increased number of franchisee requests.

Since the upward communication frequency of franchisees did not increase as expected, then the reason for the difference in downward communication frequency must be further explored. Since an electronic channel is more efficient in terms of being less expensive and less time-consuming, the convenience of the channel itself provides a theoretical explanation for increased communication frequency by the franchisor. An electronic communication channel eliminates the need to distribute information via regular mail or fax, and in fact the interview data showed that mail and fax were not being used as much in organizations with electronic communication channels. For instance, a franchisor representative reported: "Regular mail? We don't use it nearly as much as we used to. E-mail is just so much easier." Mail distributions incur postage and printing costs, fax distributions incur telephone charges, and both consume labor. In addition, coordination costs accrue because multiple individuals from different departments typically mail correspondence simultaneously. For example, a franchisor reported:

We have a regular mailing that goes out to our franchise community twice a month. And that's a hard copy of anything we would have faxed or documentation on different marketing that's taking place in their area for that given month, and different types of articles, perhaps copies of articles that might be of interest, in addition to any memos that might need to go out.

Ostensibly, these bulk mailings reduce distribution costs, which electronic distributions do not incur. A franchisor said:

We only ever used regular mail on [an] as-needed basis, when there were system-wide communications and we would try to bundle as many of those at one time as much as possible, because of the cost . . . As we encourage more and more users [to use] the intranet, we are phasing out the regular mail. It's a cost driven decision.

Thus, not only is there an increase in downward communication frequency in terms of number of contacts, but there is also a change in the quantity of communication received at any one time. Franchisees that receive traditional distributions via mail receive a packet of materials all at once, whereas those that receive electronic distributions receive a little bit of information all the time. Franchisees who are members of technology organizations report checking for postings or email daily, or at least every other day.

We still have the question of why upward communication frequency did not increase. Upward communication occurs primarily when franchisees need guidance or answers to specific questions. One franchisor had reported that the number of their own scheduled visits to franchisees decreases over the life of a franchise unit, indicating that a determinant of upward communication frequency might be tenure of the franchisee. The newer a franchisee is, the more they rely on the franchisor for guidance.

Further support for this idea came from survey comments from a number of franchisees from different organizations. When asked why they communicate with their franchisor, franchisees suggested that the franchisor is "not that much help," that they know more than the franchisor does. One franchisee said, "My skill level is higher than my contact's skill."



There may be some truth in this observation as buyouts, mergers, and turnover, both in franchisor management and the franchise field consultant positions, sometimes result in longer-term franchisees having more experience than franchisor personnel.

Over 70% of the survey respondents had been members of their various franchise organizations for two years or more, with more than a third owning stores for six years or more. This may suggest that, regardless of technology implementation, franchisees will only contact the franchisor if a real need arises, and that these needs are exceptions rather than the norm. For important exceptions, a personal contact may be more appropriate. A T9 franchisee reported that if he has a problem to resolve, "I'd call her [the franchise business consultant] up and just talk to her. . . I e-mailed her today, for example, [and said], hey, I want to talk to you on the phone." Another franchisee resolves problems with the franchise organization this way:

Typically when I've had problems in the past, I would write a letter and then there would be a telephone conversation. I might even hop on a plane and fly over there and sit down and meet with them...People always respond well when you personally pay them a visit. I think on the converse side of that, people typically don't respond well to written letters. The written aspect of it is more legal backup, and creating a paper trail... But to really resolve problems I think you have to communicate directly.

Upward communication frequency may also be related to the specific organizations that participated in the study. T1 has created a sharing culture, where the franchisor admits that:

We're not the ones day in and day out operating the [stores], so. . .we are not the experts on everything, but we're the expert on where to find the answer to everything. We know that the owner in Northfield, Michigan, does a great job with a specific type of marketing, and if the owner in Chicago wants to do that, then we'll put those two in touch, and see that the learning happens that way. The person that's best at that certain thing is the one teaching the person that wants to learn.

This environment encourages franchisees to talk to each other, rather than to the franchisor. One of T1's franchisees put it this way:

The franchisor is a clearinghouse of ideas, but they don't come up with new ideas. All the ideas come from Calgary or Ann Arbor, Michigan, [other owners]. . . I talk to other franchisees all the time, more than I talk to the franchisor.

PT8 and T9 had information systems that had been in place for less than six months. Communication patterns may not have changed much because all franchisees were not users of the ZorNets yet. In addition, new communication patterns, if they do change, may not have had a chance to develop as of the time of the study.

The survey results also indicated that communication frequency among franchisees increases with the existence of a lateral communication channel. As suggested by previous research, electronic communication facilitates lateral communication by providing an asynchronous media choice. This research study, in particular the follow-up telephone calls to check for nonresponse bias, has indirectly provided some support for the assumption that franchisees have variable schedules. The franchisees will use electronic communication channels because they are convenient. In addition, we found that the culture of the technology organizations T1 and T9 encouraged franchisees to share information, which may also account for an increase in lateral communication frequency.

### **Strategic Outcomes**

Electronic communication channel existence and frequency on those channels were both hypothesized to have positive effects on strategic outcomes, namely *organizational innovation, franchisee compliance, and franchisee satisfaction*. We now interpret findings related to these strategic outcomes.

**Organizational Innovation.** Theory suggests that franchisees who are members of franchise organizations that sponsor lateral electronic communication channels will perceive that the franchisor is innovating at a faster rate than franchisees who are members of franchise organizations that do not sponsor lateral electronic communication channels, and that communication frequency of franchisees in the lateral channel will be positively related to franchisor innovation. A measure of organizational innovation was not included on the survey, but we were able to ask franchisors about innovation culture in the organizations.

Franchisor respondents from technology organizations perceived that their organizations foster innovation more than their non-technology counterparts. This measure of organizational innovation was included to rule out the possibility of organizational innovation being a determinant of system implementation. The interview results show that innovative cultures do exist in technology organizations. Perhaps organizational innovation is then in fact a determinant of technology implementation. It remains to be seen whether innovation is affected by the implementation of technology, which suggests that further research will be required to answer this research question.

**Franchisee Compliance.** It was expected that the existence of lateral electronic communication channels would assist franchisors in meeting its managerial challenges of balancing local responsiveness and uniformity and expediting system-wide adaptation. The survey data analysis indicated that lateral electronic communication channel existence was correlated with franchisee compliance, but with lower levels of compliance, not higher ones.

The expectation was that the existence of a lateral communication channel would allow franchisors to monitor franchisee-to-franchisee communications. This would, in turn, improve the franchisors' awareness of front line issues, such as product requests and operational challenges faced by the franchisees. The franchisees would then be the franchisors' market sensors, providing input for the franchisors to use to resolve franchisee problems or take advantage of opportunities presented by franchisees. By using the franchisees' input, franchisor directives would ostensibly have greater relevance to the franchisees and because the franchisees *de facto* provided input to the decision-making process, franchisee compliance would be greater.

However, franchisee compliance was lower when franchisees perceived that a lateral communication channel existed. There are a couple of plausible explanations for this finding. First, it is possible that a lateral communication channel allows for the condition of individual franchisee non-compliance to be more publicly known, thus resulting in lower compliance levels overall. The possibility may be best explained through an example.

In a franchise organization that did not participate in this study, there was a discussion thread on an electronic forum about Christmas season offerings. Historically, the organization sold gift baskets at Christmas time. Making baskets is a labor-intensive undertaking, and achieving a high quality appearance is somewhat of an art form. As a result, gift baskets system-wide were not uniform, and in some instances, product quality (and as a result, brand image) was inferior. Thus, the franchisor had decided to discontinue the sale of baskets, and provide gift bags instead, which were quicker and easier to assemble.

Some franchisees, on the other hand, believed that providing gift baskets as a product offering was a service that the customer had come to expect. The franchisees thought that discontinuing the baskets would have an adverse effect on customer retention. One had made the decision to continue to sell gift baskets in spite of a franchisor directive to the contrary.

So the franchisee posted the following question on a discussion forum: “Does anybody want to go in with me to purchase gift baskets for Christmas this year?” Before the electronic communication channel existed, this question would probably have been asked of a core group of franchisees, maybe 3 or 4 at most, over the telephone.<sup>9</sup> The electronic channel potentially allowed every franchisee to be contacted. The question, then, had a broader effect by demonstrating to other franchisees that: (1) a franchisee has decided to go against a franchisor directive, (2) that the franchisee is confident enough that the franchisor will not enforce compliance, (3) if that franchisee can disregard this directive, then I can, too, and (4) if I can disregard this directive, there may be other directives that can be disregarded. This scenario might shed light on why compliance would be lower in organizations that have lateral electronic communication channels.

The second potential reason franchisee compliance was lower may have been a function of organizational membership, in that the expectation of compliance may vary from organization to organization. Franchisees from T1 reported that compliance was only required for ingredient purchases, i.e., food ingredients must be purchased from

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<sup>9</sup> Franchisees interviewed in this study indicated that if they do contact other franchisees, typically the number they contact is restricted to a core group of this size.

suppliers specified by the franchisor. Thus, compliance itself may be perceived by franchisees to be unimportant to the franchisor. In other words, the message from the franchisor may be perceived by franchisees as: non-compliance is permissible.

PT8 franchisees report a high degree of autonomy as well. Both franchisees from this organization indicated that, in spite of franchisor directives, they are free to choose their own paths.

T9 franchisees did not seem to believe that compliance was optional, but they indicated some reservations about full compliance because of the costs of some of the programs. Again, there is the expectation that the franchisor will not enforce compliance.

**Franchisee Satisfaction.** There were no significant relationships between either lateral communication channel existence or lateral communication frequency and franchisee satisfaction. A look at the individual responses for the survey items that loaded on the construct franchisee satisfaction showed that, in this sample, there was not much variation in responses. For all six of the items, at least 48% of the respondents indicated that they were satisfied or very satisfied with that particular dimension of their job. For four of the items, at least 83% indicated that they were satisfied or very satisfied. For all six items, over 90% of the respondents indicated that they were very satisfied, satisfied, or neutral about that dimension of their job. In other words, very few indicated any level of dissatisfaction; most were satisfied overall.

Limitations of the sample will be discussed in more detail later, but it is suspected that there was inadequate variation in the data to detect statistically significant differences.

### **Relationship Variables as Moderators**

The relationship between the franchisor and the franchisee was expected to moderate communication frequency. It was hypothesized that relationship quality and organizational identification would be positively related to upward and lateral communication frequency, if the franchisor sponsored a lateral electronic communication channel. On non-franchisor sponsored lateral electronic communication channels, relationship quality and organizational identification were expected to be negatively related to lateral communication frequency. Non-franchisor sponsored channels were not encountered in this study, so this question remains unanswered.

For franchisor-sponsored channels, the findings indicate that neither franchisor-franchisee relationship quality nor organizational identification have any significant impact on lateral communication frequency or strategic outcomes. As with franchisee satisfaction, a look at the data for the individual items for relationship quality and organizational identification showed that there was not much variation in this sample. For all but two of the twelve items, at least 75% of the respondents indicated that the relationship quality was either very good or good. For the same ten items, over 90% of the respondents indicated that the relationship quality was very good, good, or neutral. In other words, less than 10% perceived their relationship with the franchisor to be poor.

The lack of variance was not quite as pronounced across the two items for the organizational identification construct, but respondents were still skewed toward those who identified more strongly with their respective franchise organization. For both

items, 74.7% of the survey respondents indicated that they strongly agree, agree, or are neutral about the statements. For one of the items, 92% were in that category.

Based upon the response rates for each organization for both the survey and the interviews, particularly for NT6, there appears to be some suggestion that franchisees with poorer relationships would not have been likely to respond to the survey at all. Further, it is likely that franchise organizations that realize that the relationships are poor would not participate either. Perhaps with more variation in responses, significant differences may have been detected.

## **Research Contributions**

In addition to the findings already discussed, this study contributes to the research community in a number of ways.

First, the study contributed to knowledge by ascertaining the current state of technology in the franchise food service industry. Franchisors and franchisees who use technology today are the early adopters. The technology in place is not sophisticated either. In this industry, franchisees that simply own a personal computer can be classified as early adopters. A number of others are interested in the technology and are either in the evaluation or implementation phase.

Second, the study was able to assess how ZorNets are being used, i.e., what the system features are, and to assess how technology is changing communication patterns in franchise organizations. Both timing of communication and frequency of communication appear to be affected by technology.

Third, a reliable measure of franchisee compliance was developed; a survey of the current franchising literature did not reveal the existence of any such measure.



Validation of the measure is still necessary, but this first attempt to develop a measure of compliance furthers research in this area.

Finally, the study illustrates the difficulties of conducting field studies in the franchise community, specifically in the food service industry. Obtaining adequate response rates in this community will require different solicitation tactics in the future. For one, because of the high turnover in this industry, it is important to obtain all data, including interviews and survey data, immediately after a franchisor agrees to participate. Another solicitation tactic involves contacting franchisees instead of franchisors. Perhaps this would yield a sample with greater variation in the independent variables that would better approximate the general population. It may be possible to garner assistance from franchisee associations in examining communication patterns outside of the franchisor's domain. Different research methodologies such as case studies, where sample size is not an issue, may also be better suited to this area of research.

### **Implications for Practice**

For the most part, the franchisors participating in this study indicated that organizational communication is a key business process. The decision to automate this process is not an issue that is in question in most of the organizations. The more obvious reason for implementing technology as embodied in a ZorNet – gains in operational efficiency through reduction in distribution costs and more timely dissemination of information – appears to be clearly known and is substantiated by increased downward communication frequency.

Perhaps of greater interest is the impact of technology on the formation of virtual community among franchisees, which was one of the principal motivations for conducting this research. As encouraged by franchisors, greater information sharing among franchisees appears to be an outcome of technology implementation, as indicated by the increases in lateral communication frequency.

However, the question of whether this information sharing is beneficial has not been resolved. The only significant path in the model indicated that lateral communication channel existence was related to lower levels of franchisee compliance rather than higher ones, an outcome that would not be desirable in the eyes of franchisors. The findings on the effects of electronic communication channels on organizational innovation and franchisee satisfaction were inconclusive. The compliance outcome would seem to indicate that there are some risks to franchise organizations that implement these types of communication channels.

These risks may differ by organization. In this study, compliance appeared to be determined by both franchisor expectations of compliance and the general competence of the franchisor, both variables that can be controlled and/or modified by the franchisor.

Further research will be required to ascertain the effects of electronic communication channels on innovation and franchisee satisfaction. Theory suggests that information sharing in virtual communities will be beneficial to organizations. As with many business decisions, an individual organization's decision to support lateral electronic communication channels will be based on tradeoffs between benefits and costs. In this case, the franchisors' ability to proactively create and sustain a

communication culture that contributes rather than detracts from organizational goals should determine whether or not lateral electronic communications should be supported. In particular, the franchisor will need to integrate the information provided by franchisees effectively so that the advantages of information sharing may be realized. Likewise, the franchisor will need to be sufficiently competent and responsive to the franchisees to manage the risk of lower levels of franchisee compliance. One franchisee reported:

. . . [t]he tools are nice, and setting up the communication is nice, but if you don't produce so that the person you're talking to respects you, or if you don't answer in a timely manner articulately with some good information, then a lot of that is just a bunch of bunk. I mean, you might as well just not have it.

To effectively manage this risk, the franchisor will not be able to just provide the channel, nor will it suffice for the franchisor to monitor the channel for content, simply to remain informed. On the contrary, the franchisor must be an active listener and participant, and bring real solutions to address problems and issues brought up by the franchisees.

Franchisors may also need to consider the intrinsic value of a lateral electronic communication channel to the franchisees. Franchisees without the technology said:

It would be extremely helpful to have a sort of central communication point for the franchisees. Could be a chat room, could be a bulletin board, or just have access to different e-mail addresses. That would be extremely helpful.

We all have similar issues in our markets and a lot of us have tried various things, but don't communicate well what we've tried and whether it's worked or didn't work. We've let others try it even though it may have failed, but we don't know that because we don't communicate it.

Likewise, franchisees in technology organizations report value to lateral exchange:

The intranet comments forum – that's pretty much for people to be able . . . to share ideas. . . Here's an idea shared by this particular guy about the dog walking marketing program. He has dog bones for their dogs so people that walk their dogs can go by and feed their dogs outside while they get a [product] inside. It's a pretty neat idea.

. . . different things mean different things to the market. Here in Arlington Heights – it's a suburb of Chicago – you're in an area that maybe might not be as nutritionally savvy as say a Colorado or a California. And so I'll take a look at this [unbleached flour], but most of my customers [that] come in don't know what [it is] . . . But I would look at this [posting] and say, hey, maybe this is something that we're going to see in the next year or something that people want to have, people are going to start requesting unbleached. Even though ours [flour] already is, we can at least speak it. And maybe in another part of the country, in Colorado, that is a big thing, and it might start making its way this way. So it's interesting from that standpoint.

Although the findings on the effects of electronic communication channels on franchisee satisfaction were inconclusive, franchisee participation in decision-making, facilitated by effective integration of information content on the channel by the franchisor, may contribute to both compliance and satisfaction.

### **Study Limitations**

The major limitation of this study is the sample itself. Since this was a field study, accessibility of franchisees was a primary determinant of their selection as respondents. Interviewees were selected on the basis of geography as well as willingness to participate. Selection on the basis of willingness to participate appears to have produced a biased sample. It is suspected that franchisees who enjoy good relationships with their respective franchisors and are satisfied as franchisees are over-represented in the sample. Willingness to participate at both the organizational (franchisor) level and the individual (franchisee) level may have contributed to this bias.

The sample was also restricted to the food service industry, which means that the findings may not be generalizable to other industries that are engaged in franchising. The sample size was fairly small, so generalizability of the results even within the food service industry may be restricted.

The interpretation of the results is also limited because of the sample size. In addition to contributing to the study limitations discussed above, sample size may have limited the ability to find effects if they exist. Typically, for PLS, ten cases times the largest number of items is the heuristic used to determine adequate sample size. The largest number of items for a construct (relationship quality) in this research model was 12, which means that the sample size should have been about 120. Thus, some of the hypothesized relationships may not be significant due to inadequate sample size.

Another issue related to the sample is the inability to test all of the hypotheses. Specifically, franchisees with access to ZeeNets were not encountered. A larger sample may have uncovered franchise organizations with these types of systems.

### **Directions for Future Research**

This study provides the foundation for many additional studies. Further research into the effects of electronic communication channels on strategic outcomes is necessary. Specifically, the effect of ZorNets on organizational innovation, a theoretical benefit of information sharing, should be explored on an organizational level. Given the study limitations, additional research is also necessary to determine the effect of ZorNets on franchisee satisfaction and the moderating effects of relationship variables.

One relationship construct that was not looked at in this study is trust, which may explain variations in communication frequencies and strategic outcomes. Another research direction is to introduce trust into the research model as a relationship variable.

A study of ZeeNets might shed more light on the question of why virtual communities form among franchisees. ZeeNets may exist in larger franchise organizations in which the franchisee communities are more organized. Solicitation of organizations from a franchisee association perspective could yield organizations that might have this capability. This additional perspective would add valuable insight to this area of research. Concurrent research on ZorNets and ZeeNets may also provide insight into the differences between franchisor-monitored and non-monitored electronic communication channels.

Finally, a study should be conducted to validate the franchisee compliance measure that was developed in this study.

## **Summary**

The effects of electronic communication channels in franchise organizations on communication frequency, strategic outcomes, and moderation effects of franchisor-franchisee relationship variables were presented in this chapter. Channel convenience was found to increase downward and lateral communication frequency, which results in increases in organizational efficiency. Upward communication frequency did not increase with the existence of an upward electronic communication channel. Upward frequency may depend upon the longevity of the franchisee in the organization, and upon the existence of an organizational culture that encourages sharing among franchisees.

In addition, we found that organizational innovation culture may be an antecedent of technology implementation as opposed to innovation being an outcome of the implementation of electronic communication channels, but this study was not able to test any hypotheses related to innovation. We also found that lateral communication channel existence is related to lower levels of franchisee compliance, possibly as a result of the ease of distribution of franchisee messages that suggest non-compliance. Tests of hypotheses related to franchisee satisfaction and moderation of relationship variables were inconclusive, possibly due to the lack of variation in responses or the small sample size.

For the research community, the study assessed the current state of communication technology usage in franchise organizations, and illustrated how technology was changing organizational communication patterns. This research also contributed a measure of franchisee compliance as well as suggestions for research methodologies in future studies.

For practice, the study demonstrated that electronic communication channels appear to be more convenient and more cost effective for downward communication. It also showed that, while benefits of information sharing may accrue through the use of lateral electronic communication channels, risks to other strategic outcomes, specifically franchisee compliance, may also be present. Organizations must be attuned to their own culture. Their own expectations of compliance and level of responsiveness to franchisees may determine how technology affects strategic outcomes. In addition, franchise organizations should be aware that their ability to integrate franchisee communication as strategic input (or at least their ability to portray to the franchisees

that their input is important, even if it is not) may contribute to strategic outcomes as well. Finally, franchise organizations should realize that provision of a lateral communication channel may be intrinsically important to franchisees.

All findings as presented here must be interpreted with caution due to the sample size and the risk of non-response bias. Future studies can be conducted that will rectify this study's limitations and address the additional questions that have arisen as a result of this study.



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## **APPENDIX A**

### **SCRIPT FOR FRANCHISOR TELEPHONE INTERVIEW**

#### **The Respondent**

1. Request to tape interview
2. What is your job title and what are your job responsibilities?
3. How long have you been with the organization?
4. Do you have prior franchise experience?

#### **The Organization**

5. How many franchise units does your organization have?
6. How many company-owned units?
7. How many multi-unit franchisees?
8. How many units are owned by multi-unit franchisees?
9. What is the average number of units owned by multi-unit operators?
10. What are the expansion plans of the organization?

#### **Organizational Communication Capability**

11. Does your organization have the capability to communicate with its franchisees electronically?
12. Does your organization provide an intranet/extranet for franchisee use? If so, when was it implemented?
13. Does your organization use e-mail outside of an intranet/extranet to communicate with franchisees?
14. Does your organization provide the capability for franchisees to communicate with each other as part of an intranet/extranet system? If so, describe.
15. Does your organization provide the capability for franchisees to communicate with each other outside of an intranet/extranet system? If so, describe.
16. Does your organization monitor franchisee-to-franchisee electronic communication? If so, describe what you mean by monitoring (how, how often, who).
17. Does your organization participate in franchisee-to-franchisee electronic communication? If so, how and why?
18. To your knowledge, do the franchisees have the capability to communicate with each other using an electronic channel that your organization does not provide? If so, describe.

#### **Individual Communication Frequency**

19. In the last two months, I personally have communicated with how many franchisees how many times via:  
Telephone? Fax? Regular mail? Face-to-face meeting? E-mail outside of a franchisor sponsored intranet/extranet? Discussion forum or bulletin board on an intranet/extranet? E-mail on an intranet/extranet? Other Web-based capability?

#### **Other Communication**

20. Does your organization have a franchise advisory board?
21. Does your organization host annual conferences or other conferences for owners?

#### **Relationships**

22. In general, does the franchise organization have a good relationship with its franchisees?  
Please rank on a scale from 1 to 7. (1=good; 7=poor)

#### **Information Satisfaction**

(If an intranet/extranet system is in place)

23. Please answer the following questions about your intranet/extranet system. Indicate how often your system demonstrates certain characteristics on a scale from 1 to 7 (1=never, 7=always).

- Is the information accurate?
- Are you satisfied with the accuracy of the system?
- Do you think the information is presented in a useful format?
- Is the information clear?
- Is the intranet/extranet user friendly?
- Is the intranet/extranet easy to use?
- Do you get the information you need in time?
- Does the intranet/extranet provide up-to-date information?
- Is the intranet/extranet reliable?
- Is response time on the intranet/extranet adequate?
- Overall, are you satisfied with the intranet/extranet?

#### **Impact of the Intranet/Extranet on Franchisees**

Please answer the following questions about the impact you think the intranet/extranet has had on communications with your franchisees on a scale from 1 to 5 (1=more frequently, 5=less frequently).

24. Since the intranet/extranet has been implemented, in general, franchisees:  
reply more quickly to requests for information.  
submit timely reports.  
give feedback about their operations.  
communicate by telephone with franchisor personnel.  
meet in person with franchisor personnel.  
communicate with other franchisees.

25. Since the intranet/extranet has been implemented, when implementing new products or procedures, in general, franchisees:  
do so more successfully.  
ask fewer questions.  
comply with franchisor directives.

26. In general, do the franchisees have better relationships with the franchisor since the intranet/extranet has been implemented (scale 1 to 5; 1=strongly agree; 5=strongly disagree)?  
Comments?

#### **Organizational Innovation Culture**

27. Please answer the following questions about your organization on a scale from 1 to 5 (1=strongly agree; 5=strongly disagree).  
Technical innovation is readily accepted.  
Management actively seeks innovative ideas.  
Innovation is readily accepted in operations.  
People are penalized for new ideas that don't work.  
Innovation in my organization is perceived as too risky and is resisted.  
Comments about innovation?

#### **Miscellaneous**

28. Please describe the features on your intranet/extranet system.  
29. What was your training process for implementing the system?  
30. What is your e-mail address?

**APPENDIX B**

**MAIL SURVEY INSTRUMENT**



## Franchise Communication Survey

Please fill in the blank or check the appropriate box for each question.

### I. About You

1. Are you a franchisee? Yes <input type="checkbox"/> No <input type="checkbox"/> <i>If not, skip to question 5.</i>	2. How long have you been a franchisee? ____ yrs. ____ mos.
3. How many franchise units do you own? ____	4. Are you a member of a franchise advisory board? Yes <input type="checkbox"/> No <input type="checkbox"/>
5. For all units that you own, what is the average percentage revenue growth over prior year sales for the last 12 months? Please circle your answer: 0 - 5    6 - 10    11 - 15    16 - 20    over 20	
6. Are you a unit manager? Yes <input type="checkbox"/> No <input type="checkbox"/>	
7. Have you ever been employed by the franchisor? Yes <input type="checkbox"/> No <input type="checkbox"/>	If yes, for how long? ____ yrs. ____ mos. Job Title(s): _____

### II. About Your Communication Capability

1. I have the capability to communicate with my franchisor electronically*.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2. My franchisor has the capability to communicate with me electronically.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. I have the capability to communicate with other franchisees electronically.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
4. The franchisor provides an intranet or extranet system** that I can use.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
5. The franchisor uses e-mail outside of an intranet/extranet system to communicate with me.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
6. I have the capability to communicate with the franchisor using e-mail outside of an intranet/extranet system.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
7. The franchisor provides capability for me to communicate with other franchisees as part of an intranet/extranet system.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
8. The franchisor provides capability for me to communicate electronically with other franchisees outside of an intranet/extranet system.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
9. I have the capability to communicate with other franchisees using an electronic channel that is not sponsored by the franchisor.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
10. I have the capability to communicate with other franchisees using an electronic channel that is not sponsored by the franchisor other than e-mail.	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Please answer the following questions about franchisee-to-franchisee communication.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
11. The franchisor monitors franchisee-to-franchisee electronic communication.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. The franchisor participates in franchisee-to-franchisee electronic communication.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### III. About How Often You Communicate

1. In a typical week, I estimate that I initiate communication with my franchisor:
a. ____ times via telephone
b. ____ times via fax
c. ____ times via regular mail
d. ____ times via face-to-face meeting
e. ____ times via e-mail outside of a franchisor sponsored intranet/extranet system
f. ____ times via discussion forum or bulletin board on an intranet/extranet system
g. ____ times via e-mail on an intranet/extranet system
h. ____ times via some other Web-based capability

\*Electronic communication is defined as e-mail, intranet/extranet supported communication, or any other Internet-based or Web-based application that supports communication. It does not include fax or cell phone communication.

\*\*Intranet/extranet system is defined as any Internet-based or Web-based application provided by the franchisor for your use as a franchisee. This system would not be available for public use.

### III. About How Often You Communicate (Continued)

<p>2. In a typical week, I estimate that my <u>franchisor</u> initiates communication with me:</p> <p>a. _____ times via telephone</p> <p>b. _____ times via fax</p> <p>c. _____ times via regular mail</p> <p>d. _____ times via face-to-face meeting</p> <p>e. _____ times via e-mail outside of a franchisor sponsored intranet/extranet system</p> <p>f. _____ times via discussion forum or bulletin board on an intranet/extranet system</p> <p>g. _____ times via e-mail on an intranet/extranet system</p> <p>h. _____ times via some other Web-based capability</p>	<p>3. In a typical week, I estimate that I communicate with:</p> <p>a. _____ number of franchisees _____ times each via telephone</p> <p>b. _____ number of franchisees _____ times each via fax</p> <p>c. _____ number of franchisees _____ times each via regular mail</p> <p>d. _____ number of franchisees _____ times each via face-to-face meeting</p> <p>e. _____ number of franchisees _____ times each via e-mail outside of a franchisor sponsored intranet/extranet system</p> <p>f. _____ number of franchisees _____ times each via discussion forum or bulletin board on an intranet/extranet system</p> <p>g. _____ number of franchisees _____ times each via e-mail on an intranet/extranet system</p> <p>h. _____ number of franchisees _____ each times via some other Web-based capability</p>
--	--

### IV. About Your Relationship with the Franchisor

Please answer the following questions about your relationship with your franchisor.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. I expect my relationship with the franchisor to last a long time.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. My franchisor and I are committed to the preservation of a good working relationship.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The franchisor and I have well-formed expectations of each other which go beyond buying and selling of products and services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Both my franchisor and I think it is important to continue our relationship.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Both the franchisor and I are generally able to resolve disagreements to both parties' satisfaction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Both my franchisor and I work hard at cultivating a good working relationship.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Even though my relationship with the franchisor is not complex, we are still uncertain about who does what.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. There are standard procedures for resolving disputes between the franchisor and me that do not involve third-party intervention.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. My franchisor and I are very conscientious, responsive, and resourceful in maintaining a cooperative relationship.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Both my franchisor and I consider the preservation of our relationship to be important.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Both parties try to resolve disagreements that arise between us in good faith.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Even though my relationship with the franchisor is extremely complicated, both parties have clear expectations as to the role each performs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. The high level of mutual trust between the franchisor and me enables us to settle our disagreements to everyone's satisfaction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. When someone criticizes the franchisor, it feels like a personal insult.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. I am very interested in what others think about the franchisor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. When I talk about the franchisor, I usually say "we" rather than "they."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. The franchisor's successes are my successes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. When someone praises the franchisor, it feels like a personal compliment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. I comply with franchisor directives to the letter.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. I change franchisor directives to fit local needs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. I implement product/product line/service innovations that are not approved by the franchisor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. I implement operational innovations that are not approved by the franchisor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23. I implement marketing innovations that are not approved by the franchisor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## V. About Your Satisfaction as a Franchisee

Please answer the following questions about your satisfaction as a franchisee.

As a franchisee, I am satisfied with:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Being able to keep busy all the time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The chance to do work alone on the job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The chance to do different things from time to time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The chance to be "somebody" in the community	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The way the franchisor handles its franchisees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The competence of the franchisor in making decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Being able to do things that don't go against my conscience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. The level of job security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. The chance to do things for other people	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. The chance to tell people what to do	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. The chance to do something that makes use of my abilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. The way franchisor policies are put into practice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. My pay and the amount of work I do	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. The chances for advancement as a franchisee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. The freedom to use my own judgment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. The chance to try my own methods of doing the job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. The working conditions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. The way the franchisees get along with each other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. The praise I get for doing a good job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. The feeling of accomplishment I get from the job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## VI. About Implementation of Franchisor Directives in Your Organization

Please answer the following questions about your implementation of franchisor directives or initiatives.

	Almost Never	Some of the Time	About Half of the Time	Most of the Time	Almost Always
1. When the franchisor introduces a new product (e.g., sandwich), I add the new product to my menu.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. When the franchisor introduces a new product line (e.g., bottled beverage line), I add the new product line to my menu.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. When the franchisor introduces new operational procedures (e.g., change in recipe), I implement the new procedure.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. When the franchisor introduces new equipment (e.g., stove, refrigerated case), I buy the new equipment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. When the franchisor introduces a new marketing process (e.g., promotional program or radio advertising), I implement the new marketing process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. When the franchisor introduces new technology (e.g., computerized point-of-sale system), I implement the new technology.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## VII. About Your Intranet/Extranet System

NOTE: If your franchise organization does not provide you with an intranet or extranet system, please skip to section VIII.

Please answer the following questions about your intranet/extranet system. Indicate whether your system demonstrates certain characteristics almost never, some of the time, about half of the time, most of the time, or almost always.

	Almost Never	Some of the Time	About Half of the Time	Most of the Time	Almost Always
1. Does the system provide the precise information you need?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the information content meet your needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the system provide information that seems to be just about exactly what you need?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the system provide sufficient information?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Is the information accurate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Are you satisfied with the accuracy of the system?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Do you think the information is presented in a useful format?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the information clear?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Is the system user friendly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Is the system easy to use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Do you get the information you need in time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Does the system provide up-to-date information?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Overall, are you satisfied with the system?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



### VIII. About Characteristics of Your Franchisor

Please answer the following questions about characteristics of your franchisor.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. When an issue that is critical to my franchise unit arises, I feel I can depend on my franchisor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I can always rely on my franchisor in a franchise unit-related issue.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. My franchisor is an organization on which I feel I can rely when the issue is important to my franchise unit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. When it comes to my well-being, my franchisor really cares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. If I required help, my franchisor would care enough to help me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. My franchisor is skillful and effective in its work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. My franchisor performs its work very well.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Overall, I have a capable and proficient franchisor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Overall, my franchisor is competent technically.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. My franchisor is honest in its dealings with me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. I could expect my franchisor to tell the truth.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. I feel that things in my franchise organization are generally going in the right direction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. I would describe the state of things in my franchise organization as very good.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. I believe that things are going very well in my franchise organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Overall, I think conditions are favorable and positive in my franchise organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. I can always rely on my primary franchisor contact in a franchise unit-related issue.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. My primary franchisor contact is a person on whom I feel I can rely when the issue is important to my unit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. I feel I can depend on my primary franchisor contact on a franchise unit-sensitive issue.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. When it comes to my well-being, my primary franchisor contact really cares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. When you get right down to it, my primary franchisor contact cares about what happens to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. My primary franchisor contact is skillful and effective in her/his work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. My primary franchisor contact performs his/her job very well.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23. Overall, I have a capable and proficient primary franchisor contact.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24. Overall, my primary franchisor contact is competent technically.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25. My primary franchisor contact is honest in her/his dealings with me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26. My primary franchisor contact is truthful in his/her dealings with me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27. My primary franchisor contact is sincere and genuine.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28. I could expect my primary franchisor contact to tell the truth.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### IX. Comments

What do you communicate with your franchisor about and why? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

What do you communicate with other franchisees about and why? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



Thank you very much for your participation!

## **APPENDIX C**

### **PRE-TEST MEASURES OF INNOVATION AND COMPLIANCE**

The following question was included on the pre-test version of the survey. This question was dropped in the final survey version.

#### **About Innovation in Your Organization**

For our purposes, innovation can be defined as any introduction by the franchisor of a new product, product line, service, or process. Indicate the number of times in the past twelve months that the franchisor has informed you of an innovation. Also indicate the number of times in the past twelve months that you have implemented the innovations specified by the franchisor in the following areas:

<b>Area</b>	<b># of times the franchisor has informed you of an innovation (in the past 12 mos.)</b>	<b># of times you have implemented the innovations specified by the franchisor (in the past 12 mos.)</b>
Product, product line or service		
Operational processes		
Marketing processes		
Other		

## **APPENDIX D**

### **SCRIPT FOR FRANCHISEE INTERVIEW**

Date \_\_\_\_\_ Start Time: \_\_\_\_\_ Stop Time: \_\_\_\_\_

Permission to tape? \_\_\_\_\_

Your franchise organization is participating in a study about communication in franchise organizations and how information technology is used to facilitate communication. The primary focus of the interview will be on communication systems (automated or not) in your franchise organization. If you are an investor in more than one franchise organization, please limit your discussion here to \_\_\_\_\_ organization.

Thank you for your time dedicated to this study. Your participation in the study is voluntary, but very important so that we are able to get the most complete picture of communication in your organization. Be assured that your individual answers are confidential. Results will be reported in summary form to your franchise organization and to other franchise organizations participating in the study.

Do you have any questions?

Do I have your consent to proceed with the interview?

#### **The Respondent**

1. How long have you been a franchisee with \_\_\_\_\_?
2. How many units do you own?
3. Average annual revenue/unit?
4. Do you have experience with other franchise organizations?
5. Do you have any expansion plans in this organization?

#### **Communication Capability**

1. Do you have the capability to communicate electronically with the franchisor?  
If so, describe.
2. Does your franchisor have the capability to communicate electronically with you?  
If so, describe.
3. Do you have the capability to communicate electronically with other franchisees?  
If so, describe.
4. Does the franchisor provide an intranet or extranet for your use?
5. Does the franchisor provide any other information systems (computer applications/programs) for your use?

**Communication**

1. Describe franchisor-initiated communication (content, frequency, media).
2. Describe communication to the franchisor that you initiate (content, frequency, media, motive).
3. Describe franchisee-to-franchisee communication (content, frequency, media, motive)
4. Does your organization hold an annual conference or other owner's meetings?  
Are these useful?  
Do you attend?
5. Franchise advisory council/board?  
What is your opinion of your board?  
Is this board effective? How so?  
Do you feel it adequately represents you?
6. Intranet/extranet? Features? Discussion forum content? Demo?

**Franchisor-Franchisee Relationship Quality**

1. How would you characterize your relationship with your franchisor on a scale from 1 to 7, with 1 being good and 7 being poor?

Describe problem resolution processes.

Describe training.

[Definition of innovation: Innovation is defined as any new product, product line, service, procedure, or technology.]

Describe how innovations from the field are handled.

Describe how you decide to implement franchisor-initiated innovations.

**Franchisee Satisfaction**

How satisfied are you with being a franchisee?

If you had it to do over again, would you do it again?

**Trust**

Do you trust the franchisor?

Is the franchisor honest?

Give me an example of trust/distrust between the two.

**Innovation**

Describe innovation in the franchise organization.

(pace, type, competence in selection, competitive?)

**Compliance**

Do you implement franchisor-initiated innovations?

What makes you decide to implement?

How would you rate your level of compliance with franchisor directives?

**How much flexibility does the franchisor give you?**

**Do you implement innovations not sanctioned by the franchisor?  
Why?**

**Do you do anything special to meet local market needs that differs from corporate recommendations?**

**Participation in Decision-Making**

**Do you have a voice in decisions that the franchisor makes about operations? About marketing?**

**About technology? About products or services?**

**Do you tell the franchisor about what you perceive to be opportunities for growth?**

**Local needs? Competitor actions/products?**

**Does your franchisor have an approval process for change? How does that work?**

**Effective? Timely?**

## **APPENDIX E**

### **SCRIPT FOR PRE-CONTACT OF THE FRANCHISOR**

Hello. I am a doctoral candidate at Louisiana State University conducting research on communication in franchise organizations with a particular interest in intranet/extranet systems. I would like to speak with you about participating in a research study. My data collection effort will consist of the following:

1. A telephone survey of two people on the franchise management team that can answer questions about operations, franchisee relationships, and communications support for franchisees, and can verify demographic information about your organization.
2. A mail survey sent to all franchisees about communication patterns in the franchise organization, both with the franchisor and with other franchisees. The survey would also have questions about the franchisor-franchisee relationship, franchisee satisfaction, and compliance.
3. Interviews with two franchisees in your organization, either face-to-face or telephone, in which the franchisees would answer both the questions included in the mail survey, and also questions about information systems available for franchisee support. The information systems questions would be related to system features and how these features were used in practice. These two franchisees will be chosen on the basis of proximity to LSU.

In exchange for your participation, which I realize will require a time commitment on your part, I will provide study results for your organization and comparison with other

participating organizations. All published results will be in aggregate form and will maintain anonymity of participants. All responses will be confidential, with specifics available only to the research team, which consists of my thesis committee and me.

May I send you more information about my study?

[If so.] May I verify your mailing address?

## APPENDIX F

### FRANCHISOR LETTER OF INTRODUCTION

Louisiana State University

*Louisiana Institute for Entrepreneurial Education and Family Business Studies  
3190 CEBA Building, Baton Rouge, LA 70803  
Voice (225) 388-2126; Fax (225) 388-2511; E-mail: mdickey@lsu.edu*

Date, 2000

[Franchisor name and address]

Dear [Mr. \_\_\_\_\_]:

Thank you for your interest in my research study. I am a research associate at Louisiana State University conducting a study on the impact of information technology in franchise organizations. My interest in franchise organizations stems from my eight-year tenure as a franchisee in the food service industry.

With the support of the Louisiana Institute for Entrepreneurial Education and Family Business Studies, my research will investigate communication patterns in franchise organizations and their effect on strategic business outcomes. Your firm meets the selection criteria for participation in this research study, and I would like to ask your organization to participate.

In exchange for your participation, you will receive a high-quality report containing:

- study results for your organization
- comparison with other participating franchise organizations

*A sample report is also attached.*

Your participation would entail:

- Two telephone interviews of two people on the franchise management team that can answer questions about operations, franchisee relationships, and communications support for franchisees, and can verify demographic information about your organization. Each interview is expected to last about thirty minutes.
- Assistance in compiling a mail list of your franchisees. Selected franchisees will receive a mail survey with questions pertaining to communication patterns in the franchise organization, the franchisor-franchisee relationship, franchisee satisfaction, and compliance.



**[Addressee]**

**Page 2**

**Date, 2000**

**I will also seek your permission to inform your franchisees that the franchise organization as a whole is participating in the study.**

**Another component of the study, which will not directly impact the franchisor management team, is franchisee interviews. Two franchisees in your organization will be interviewed, either face-to-face or by telephone. These individuals, chosen on the basis of proximity to LSU, will answer questions about information systems available for franchisee support and organizational communication patterns. These interviews are expected to provide you, the franchisor, with valuable information about your franchisees.**

**Be assured that every effort will be made to ensure confidentiality. All published results will be in summary form and will maintain anonymity of participants. Specific responses will be available only to the research team, which consists of my dissertation committee and me.**

**To discuss any additional questions you may have about the research study, I will contact you within the next week. I look forward to speaking with you.**

**Sincerely,**

**(Ms.) Michael H. Dickey  
Research Associate**

**Additional Materials Attached**

# **APPENDIX G**

## **SAMPLE REPORT**

### **EXECUTIVE SUMMARY**

#### **Communication Patterns in Franchise Organizations**

In this study, communication patterns in franchise organizations were investigated. Many of the participating organizations support communication with franchisees with . . . In those organizations that have [x] type of infrastructure, there was a positive correlation between [this] and [that]. For franchise organizations, this may imply that . . .

This report consists of summary tables and graphs; your organization is represented as organization number [x].

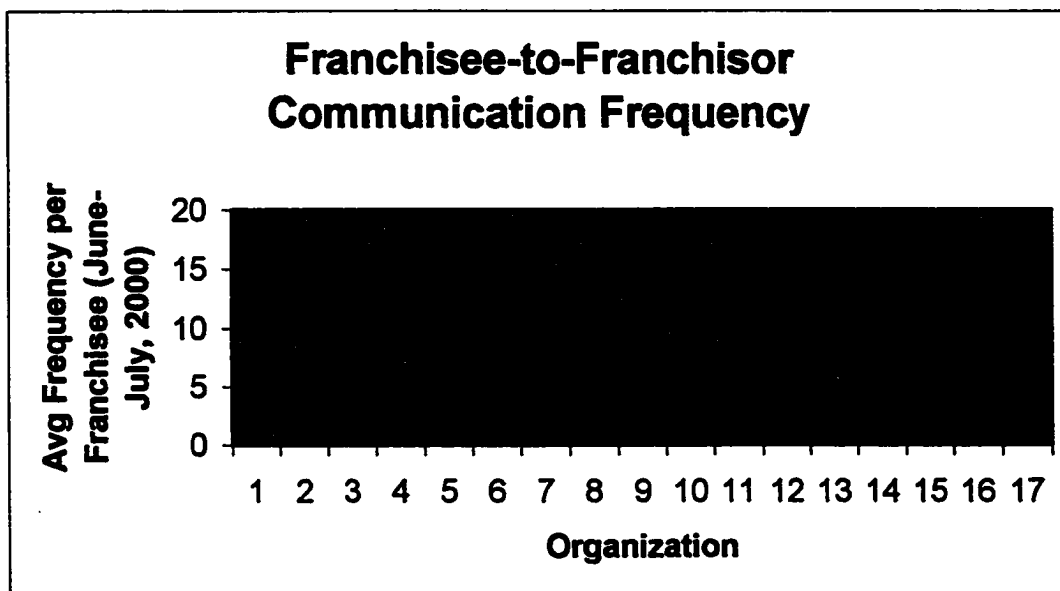


Figure 1.

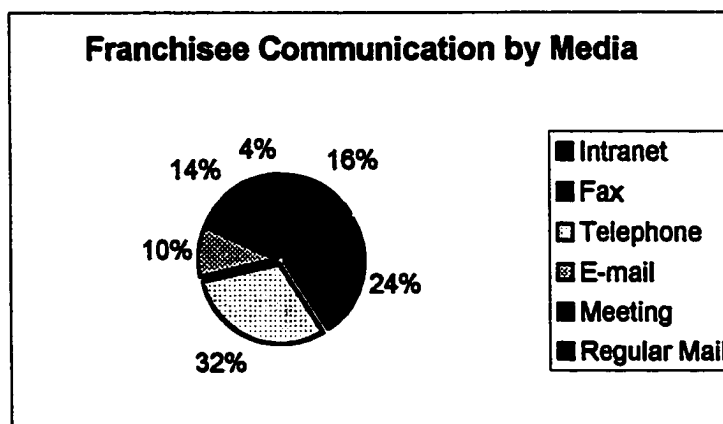
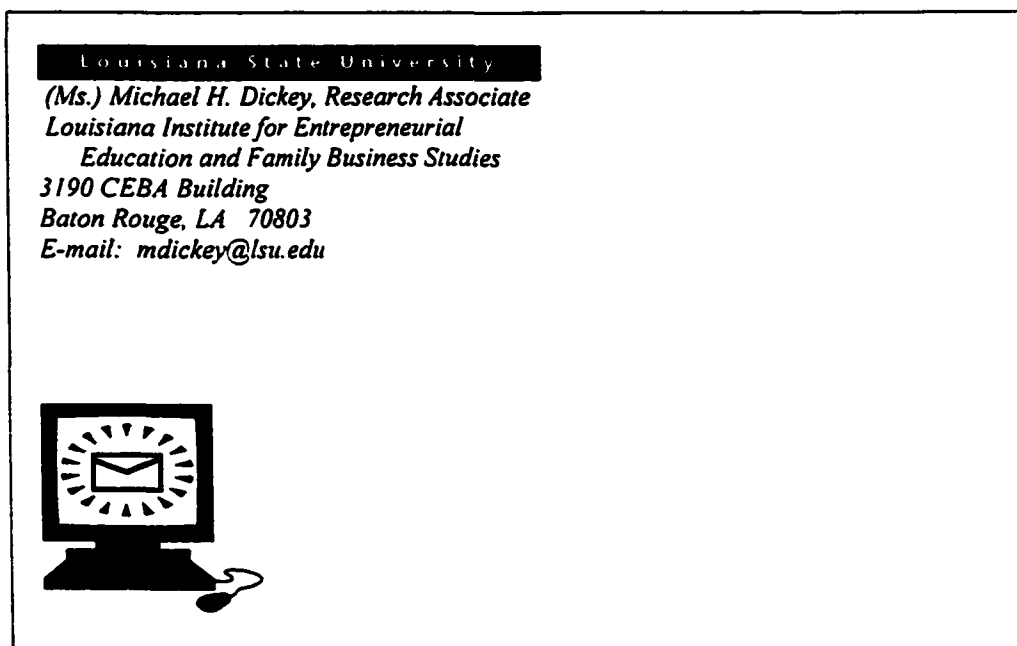


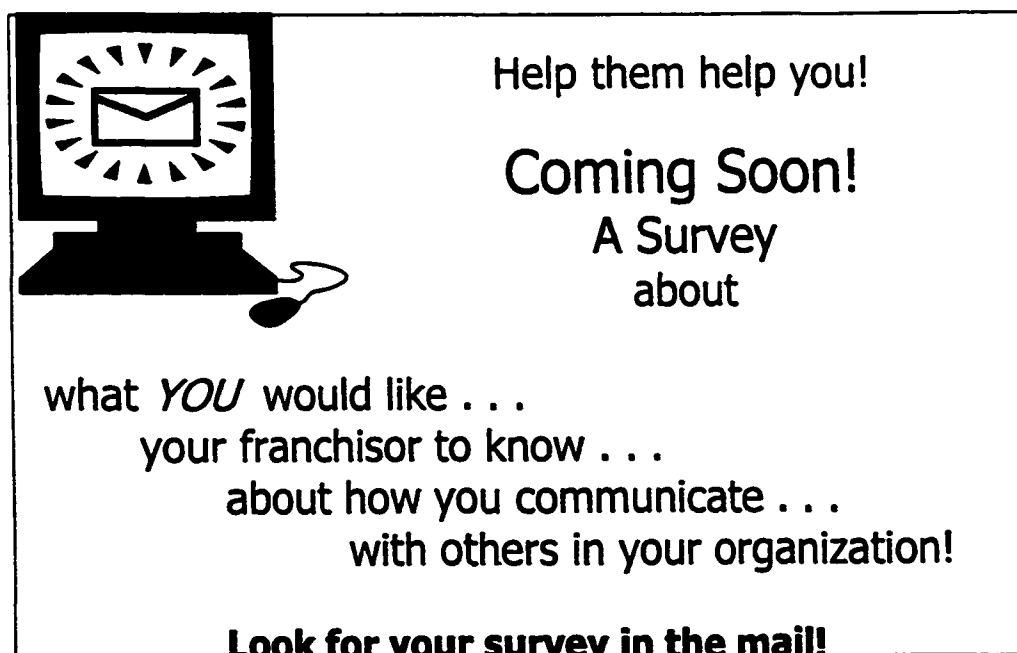
Figure 2.

## APPENDIX H

### PRE-CONTACT POSTCARD FOR FRANCHISEES



(front of postcard)



(back of postcard)

**APPENDIX I**

**FRANCHISEE LETTER OF INTRODUCTION**



## Franchise Communication Survey

Your franchise organization is participating in a study about communication in franchise organizations and how information technology is used to facilitate communication. You, as a franchisee, are encouraged to participate by completing this survey. Your participation is voluntary, but very important to us so that we are able to get the most complete picture of communication in your organization.

Your individual answers are confidential. Results will be reported in summary form to your franchise organization and to other franchise organizations participating in the study.

The Center for Virtual Organization and Commerce and the Louisiana Institute for Entrepreneurial Education and Family Studies, both research centers at Louisiana State University, are providing various forms of support for this research effort.

Completing the questionnaire will take approximately twenty minutes. There are questions contained on both the front and back of the page. Take a few minutes now to complete the survey. When you have finished, please put the entire questionnaire into the enclosed business reply envelope and mail. No postage is required.

***So let's get started!***

### ***Franchise Communication Technology: Additional Study Information***

Your involvement is voluntary; by returning the completed survey you are indicating your willingness to participate. We do not know your name unless you tell us, and the results will be presented in summary form so that no participants or their companies are identified. To further ensure anonymity and confidentiality, all records are stored securely and will be available only to the research team.

Michael Dickey, a doctoral candidate at Louisiana State University and a faculty member at Florida State University with extensive experience in franchise organizations, is leading this study. Her official contact information is: Michael Dickey, Information and Management Sciences, College of Business, Florida State University, Tallahassee, FL 32306, (850) 644-6154 or by e-mail to [mdickey@gamet.acns.fsu.edu](mailto:mdickey@gamet.acns.fsu.edu). You may obtain a copy of the study results at the above address on request.

If you would like to learn more about what it means to be a research participant, please contact the Institutional Review Board, Louisiana State University, 117 David Boyd Hall, Baton Rouge, LA 70803, (225) 388-1492.

## **APPENDIX J**

### **FRANCHISEE LETTER OF APPEAL**



*Ms. Michael H. Dickey  
Assistant Professor  
Florida State University  
Information and Management Sciences  
College of Business  
507 Rovetta Business Building  
Tallahassee, FL 32306  
Office (850) 644-6154      Fax (850) 644-8225*

January 5, 2001

To All [company name] Franchisees,

In November, I mailed a survey to you related to my dissertation research. After speaking with several of you, I understand that some of you did not receive the survey, so I am mailing a second copy of the survey to you.

I, too, am a franchisee in the restaurant industry, so I understand how very busy you are. However, it is very important that you respond so that I may supply your franchisor with meaningful information about communications in franchise organizations.

So please take a few minutes -- perhaps while watching your favorite television show tonight -- fill out the survey, and drop it in the mail to me in the enclosed business reply envelope, no later than *Monday, January 15, 2001*.

Thank you very much. I appreciate your time.

Kindest regards,

Michael H. Dickey

## APPENDIX K

### SCRIPT FOR FRANCHISEE TELEPHONE APPEAL PRIOR TO THE SECOND MAILING

Hello, my name is [name]. I am working on a research project on communication in franchise organizations. [Organization name] is participating in the study. My primary contact is [name].

Last Saturday, January 6, 2001, a survey was mailed to you. I was calling to find out if you had received the survey. It was sent to: [give address]

**If they did not receive the survey:**

1. [verify address]
2. Would you be willing to spend about twenty minutes – we'll make an appointment, of course – to do the survey over the telephone?
  - a. [If so, make an appointment – tell them that I will call them at the appointed time.]
  - b. [If they are willing to do the survey immediately, give them the survey.]
  - c. [If not] Can you tell me why you cannot or do not want to participate in the study?

**If they did receive the survey:**

Did you fill it out?

- a. [If so] Thank you very much. When did you mail it?  
We really appreciate your time.
- b. [If not] Do you plan to fill it out?
  - (1) [If so, try to impress on them the importance of doing it no later than Monday, January 15, 2001. Suggest the possibility of making an appointment to conduct the survey over the phone.]
  - (2) [If not] Can you tell me why you cannot or do not want to participate in the study?

**Fill in the blanks.**

Respondent # \_\_\_\_\_ Date called \_\_\_\_\_ Time called \_\_\_\_\_  
Contact made? (Y/N) \_\_\_\_\_ If not, suggested time to call back: \_\_\_\_\_  
Mailed survey? (Y/N) \_\_\_\_\_ Will mail? \_\_\_\_\_  
Appointment made \_\_\_\_\_  
Will not participate? (Y/N) \_\_\_\_\_  
Why? \_\_\_\_\_

---



## APPENDIX L

### SCRIPT FOR TELEPHONE APPEAL TO FRANCHISEES: NO SECOND MAILING

Hello, my name is [name]. I am working on a research project on communication in franchise organizations. [Organization name] is participating in the study. My primary contact is [name].

In November, a survey was mailed to you. I was calling to find out if you had received the survey. It was sent to: [give address]

**If they did not receive the survey:**

3. [verify address]
4. Would you be willing to spend about twenty minutes – we'll make an appointment, of course – to do the survey over the telephone?
  - d. [If so, make an appointment – tell them that I will call them at the appointed time.]
  - e. [If they are willing to do the survey immediately, give them the survey.]
  - f. [If not] Can you tell me why you cannot or do not want to participate in the study?

**If they did receive the survey:**

Did you fill it out?

- c. [If so] Thank you very much. When did you mail it?  
We really appreciate your time.
- d. [If not] Do you plan to fill it out?
  - (1) [If so, try to impress on them the importance of doing it no later than Monday, January 15, 2001. Suggest the possibility of making an appointment to conduct the survey over the phone.]
  - (3) [If not] Can you tell me why you cannot or do not want to participate in the study?

**Fill in the blanks.**

Respondent # \_\_\_\_\_ Date called \_\_\_\_\_ Time called \_\_\_\_\_  
Contact made? (Y/N) \_\_\_\_\_ If not, suggested time to call back: \_\_\_\_\_  
Mailed survey? (Y/N) \_\_\_\_\_ Will mail? \_\_\_\_\_  
Appointment made \_\_\_\_\_  
Will not participate? (Y/N) \_\_\_\_\_  
Why? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **VITA**

**Michael Hebert Dickey is a native of South Louisiana. She received a bachelor of science degree in business administration from Louisiana State University in Baton Rouge (1979) and a master of business administration degree from the University of New Orleans (1980). She then worked as an information systems professional for fifteen years, primarily in the shipping industry, but also as a consultant to public and private sector organizations. More recently, she, along with her husband, owned and operated a specialty coffee franchise.**

**Her research interests include the study of virtual organizations, electronic commerce, and technology in franchise organizations. She is currently an Assistant Professor at the Florida State University in Tallahassee, Florida. She will receive the degree of Doctor of Philosophy at the May Commencement 2001.**

# DOCTORAL EXAMINATION AND DISSERTATION REPORT

**Candidate:** Michael H. Dickey

**Major Field:** Business Administration (ISDS)

**Title of Dissertation:** Electronic Communication Channels in  
Franchise Organizations

**Approved:**

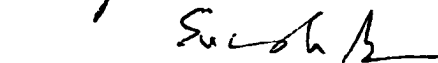
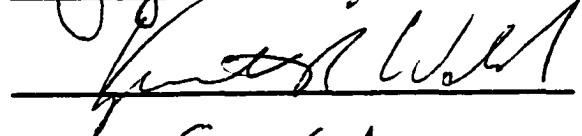
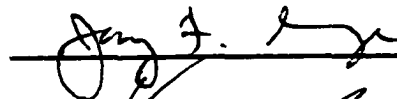
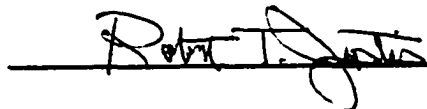
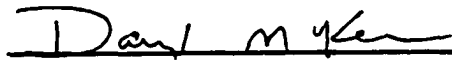


Major Professor and Chairman



Dean of the Graduate School

## EXAMINING COMMITTEE:



**Date of Examination:**

March 8, 2001